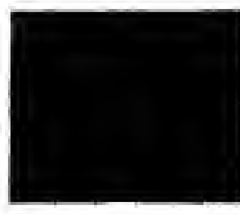
European Commission
Sizing up Mr Santer
Page 13

Winning results
Marketing the business of sport

Japanese finance
Fiscal frugality under fire
Page 4



Survey
Albania: infrastructure is the key
Pages 29-35

FINANCIAL TIMES

Europe's Business Newspaper | THURSDAY JULY 21 1994 | D8523A

Malaysia poised to lift trade ban on Britain

Malaysia is poised to lift its ban on UK participation in government contracts imposed in February partly because of fury at British press coverage of the Pergau dam affair. "We believe the embargo could be lifted tomorrow [Thursday]," said a banker close to the Malaysian government. UK businessmen with Malaysian interests are convinced the embargo will be removed by the end of the month. UK MPs issue rebuke, Page 14

Merck and Celltech to sign deal: The biggest US drugs maker is set to announce a deal with Celltech to collaborate on an asthma drug invented by the UK company. They will be competing with the UK's Glaxo and Seattle-based Icos, who are working on a similar drug. Page 15

Major shuffles the pack: Britain's John Major announced the biggest shake-up of his premiership, with four cabinet ministers losing their jobs. His aim was to create a team to fight the next election, and his changes suggest a shift to the right. Page 14

Compaq Computer boosted second quarter sales by 53 per cent as the US personal computer manufacturer continued to win market share from competitors. Compaq shipped a record number of computers to reach revenues of $2.5bn, up from $1.63bn in the same period of 1993. Page 15

Cholera feared among refugees:

Cholera has claimed its first victims among the million Rwandan refugees crowded into the Zairean town of Goma, western doctors believe. Jacques de Milliano, head of medical charity Médecins Sans Frontieres, said his medical teams had reported around 120 cases of suspected cholera. If tests confirm the presence of the disease, between 5,000 and 10,000 of the refugees are expected to die of it. Editorial Comment, Page 13

Sears, Roebuck underlying net profits improved by almost 10 per cent to $503.4m in the second quarter. The US retail and insurance group was helped by a surge in stores sales. Page 15

Peres steps into Jordan: Israeli foreign minister Shimon Peres became the first Israeli cabinet minister to be received openly into Jordan. He was welcomed there after peace talks at the border. Page 4

Socialists against Santer: The powerful British Labour Party group in the European Parliament is backed by Belgian and French socialists in opposing Jacques Santer as next president of the European Commission. The parliament is due to vote on Mr Santer's candidacy today. Page 14

Hospital threatened: An Argentinian hospital treating victims of Monday's bomb at a Jewish centre was partly evacuated because of a bomb threat. A briefcase found at the Buenos Aires hospital was later detonated but it was not clear if it was a bomb. Picture, Page 3

Strike against austerity: About a million Turks staged a one-day strike to protest against the government's economic austerity package.

Fishermen give up trawler: Spanish fishermen have handed a captured French trawler to their government. They seized the vessel in a weekend dispute about drift nets used in tuna fishing.

Donor eggs decision: Britain's Human Fertilisation and Embryology Authority said donated eggs from corpses and aborted foetuses could not be used to treat infertile women but could be used for research. The agency regulates infertility treatment and embryo research.

Citröen eyes South Africa: French auto maker Citröen is considering building a R400m ($109m) car assembly plant in South Africa. It is negotiating over a site in former KwaNdebele homeland.

South Africa welcomed back: The Commonwealth formally welcomed South Africa back into its ranks with a celebration at Westminster Abbey in London. Archbishop Desmond Tutu addressed the gathering.

■ STOCK MARKET INDICES		
FT-SE 100:	3077.2	(-14.1)
Yield	4.06	
FT-SE Eurotrack 100	1367.56	(+5.85)
FT-SE-A All-Share	1537.38	(-0.2%)
Nikkei	20,760.76	(+5.60)
New York: lunchtime		
Dow Jones Ind Ave	3729.21	(-19.10)
S&P Composite	451.47	(-2.38)
■ US LUNCHTIME RATES		
Federal Funds:	4¼%	
3-mo Treas Bills: Yld	4.409%	
Long Bond	84⅞	
Yield	7.534%	
■ LONDON MONEY		
3-mo Interbank	5¾%	(same)
Liffe long gilt future:	Sep 103¾	(Sep103⅞)
■ NORTH SEA OIL (Argus)		
Brent 15-day	$17.52	(17.27)
■ Gold		
New York Comex	$385.6	(387.1)
London	$387.9	(384.55)

■ STERLING		
New York lunchtime:		
$	1.54685	
London:		
$	1.549	(1.5588)
DM	2.4250	(2.4284)
FFr	8.3191	(8.3313)
SFr	2.0566	(2.0481)
Y	152.974	(154.459)
£ Index	79.3	(79.5)
■ DOLLAR		
New York lunchtime:		
DM	1.56585	
FFr	5.3635	
SFr	1.3225	
Y	98.895	
London:		
DM	1.5662	(1.5569)
FFr	5.365	(5.3413)
SFr	1.324	(1.313)
Y	98.76	(99.025)
$ Index	62.9	(62.8)
Tokyo close Y 98.13		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR19.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lev25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y600	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£60.00
France	FFr8.50	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000
						UAE	Dh12.00

Brussels set to back state aid for ailing Air France

By Emma Tucker in Brussels and John Ridding in Paris

The French government is likely to win European Commission approval next week to grant Air France, the loss-making national carrier, a capital injection of FFr20bn ($3.75bn) in return for relatively mild concessions.

The state aid package, expected to be approved by the Commission on Wednesday, will provide a welcome boost to Prime Minister Edouard Balladur's unpopular government.

However, it is expected to provoke protests as well as legal action from the UK government and non-subsidised European Union airlines such as British Airways and the Dutch carrier KLM.

A Brussels decision to allow the aid to be paid will be seen as a test case in EU efforts to liberalise the air transport market, and the politically sensitive issue of state aid.

The conditions attached to the rescue package were discussed yesterday ahead of next Wednesday's vote at which it needs the support of nine of the 17 commissioners.

The UK government has indicated it will take the commission to the European Court of Justice if the aid is approved.

But the commission is likely to argue that the conditions are tough enough to justify the so-called "one-time last-time" capital injection to the ailing airline. The conditions include:

● All of the aid must go only to Air France. Air Inter, a subsidiary of Air France, must become a holding company, to be kept at arm's length from the main operation.

● The restructuring of the company should be followed by privatisation. Air France is one of 21 public sector companies destined for sale by the centre-right government of Mr Balladur but a sale is not expected soon.

● Air France must sell the hotel chain Meridien, a move which is already on the cards.

BA is likely to protest that there is nothing to prevent Air France increasing its capacity by leasing aircraft from other airlines.

Another main grievance is that Air France has not sufficiently divested itself of other assets such as property and stakes in other airlines.

Mr David Holmes, director of government and industry affairs for BA, said yesterday: "Air France is the largest airline in Europe and occupies a central position. We have made a full study of the case which we presented to the commission which says that Air France does not need any subsidies. It should go in for a proper restructuring plan as we did."

Air France said it was hoping for approval of the capital increase as quickly as possible. It said it expects to receive the first tranche of FFr10bn as soon as the go-ahead is given by Brussels. Two other trances of FFr5bn are due in mid-1995 and in the following year.

The French government has lobbied hard for the capital increase because of the political importance of the airline.

Greenspan indicates US rates may have to rise

By Michael Prowse in Washington and Patrick Harverson in New York

Mr Alan Greenspan, US Federal Reserve chairman, signalled yesterday that further increases in US short-term interest rates may be needed to restrain inflation. But he did not give the impression that the Fed would tighten monetary policy in the near future.

He said the dollar had been weaker than he expected in the past six months and that was "bad for the economy". However, he indicated the Fed would not let exchange rate considerations determine US monetary policy.

The Fed would continue to focus on domestic goals of solid economic growth and price stability. He said progress on these fronts would "ensure that dollar-denominated assets remain attractive to global investors.

Page 3
■ Fed chief sees moderate economic growth rate

"It is an open question whether our actions to date have been sufficient to head off inflationary pressures and thus maintain favourable trends in the economy," he told the Senate banking committee. "We are monitoring economic and financial data carefully to assess whether additional adjustments are appropriate."

His remarks initially boosted the dollar in New York but it fell back on the view that, even if US rates were increased again, that might depress bond and stock prices, reducing overseas demand for US financial assets. By early afternoon, the dollar was down slightly, at DM1.5650 and Y98.90.

Mr Greenspan spoke after the release of figures showing that housing starts fell 10 per cent in June from May, a much bigger fall than expected. Data on starts are volatile on a monthly basis but this was seen as another sign that higher long-term interest rates are beginning to depress demand for housing.

While giving the Fed scope to raise rates again, Mr Greenspan made no effort to prepare the ground for a tightening of policy, as he did at the end of January before the Fed embarked on a series of tightening moves that lifted short-term rates from 3 per cent to 4¼ per cent by late May. He gave the impression instead that the Fed would tighten only if economic growth failed to moderate or if the inflation outlook deteriorated.

The Fed had not raised rates at its policy meeting in early July because there was "considerable uncertainty about the pace of expansion and the pressures on prices going forward". It saw some recent "hints of moderation in the growth of domestic final demand". However, the balance of evidence indicated that "growth remained above its long-run trend" in the second quarter.

Mr Greenspan was delivering his twice-yearly Humphrey Hawkins monetary testimony on Capitol Hill. He released economic projections indicating that Fed governors and regional presidents expected more moderate growth and relatively subdued inflation in the next six quarters.

The Fed expects economic growth to slow to 2.5-2.75 per cent next year from 2.75-3 per cent this year. Inflation next year was projected at 2.75-3.5 per cent, "about the same as in 1994 or slightly higher".

US share and bond prices were unsettled by Mr Greenspan's comments. The 30-year government bond fell about three quarters of a point, pushing up its yield to 7.534 per cent. The Dow Jones Industrial Average was down 14 points to 3,734.39 by 1pm.

Alan Greenspan at yesterday's Senate banking committee hearing where he said it was "an open question whether our actions to date have been sufficient to head off inflationary pressures". The dollar strengthened but fell back later on fears arising out of a further prospective US rate rise. AP

Chinese telecoms move towards free competition

By Andrew Adonis

China has abolished its telephone monopoly in a step towards allowing western companies to participate in operating networks in the world's largest telecoms market.

The state council has allowed a consortium of three other ministries to build a national telecoms network in competition with the ministry of posts and telecommunications, despite strong efforts by the MPT to preserve its monopoly.

The liberalisation is being driven by the government's ambitious aim of increasing the number of phone lines in China from about 30m to 120m by 2000. Barely two in 100 Chinese have a phone line, compared with 49 per 100 in Hong Kong.

The three ministries – railways, electronic industries and electrical power – this week launched a joint venture called China United Telecommunications (Unicom), with the backing of leading domestic investment groups. Unicom is licensed to provide long-distance telecoms links, and may also have its own local connections.

Nynex, the US regional Bell operator, has signed a memorandum of understanding with one of the ministries involved, which may lead to a joint venture.

Mr Andrew Harrington, Salomon Brothers Asia-Pacific telecoms analyst, said: "This signals an acceleration of the liberalisation process in China. It could be only months before they allow western companies to form joint ventures to operate networks."

In January the ministry of electronic industries was allowed to compete with the MPT in data telecoms services. It set up an operation called Ji Tong, which has formed a joint venture with Bell South, another US regional operator.

Earlier this year the operating and regulatory divisions of the MPT were separated, making it easier for new operators to establish themselves. Last September the People's Liberation Army was allowed to use its radio networks for commercial purposes.

The market for telecommunications equipment has long been liberalised and most leading western suppliers have production facilities in China.

In addition to rival ministries, local and regional leaders have also been seeking to break the MPT's stranglehold on telecoms development. Last autumn Mr Huang Ju, mayor of Shanghai, called for joint ventures with western operators to accelerate the building of new lines.

In addition to Nynex and Bell South, AT&T – the largest US operator – is active in Beijing, while Cable & Wireless, the UK group which holds a majority share of Hongkong Telecom, has been nominated "preferred partner" by the MPT.

Lord Young, C&W chairman, held talks in Beijing in March with Mr Jiang Zemin, China's president. He said C&W's first Chinese joint ventures could be agreed by the end of the year.

Axel Springer sacks four board members in shake-up

By Judy Dempsey in Berlin

Axel Springer, Germany's largest newspaper group, yesterday sacked four of its seven board members, including Mr Horst Keiser, chairman designate, in one of German industry's biggest management shake-ups.

The announcement, made to shareholders at the annual general meeting in Berlin, followed months of criticism within the group and the Springer family about the company's strategy.

The family holds a 50 per cent stake in the group, which includes Die Welt, the loss-making daily, the mass circulation Bild, and the Berliner Morgenpost. It also holds a 20 per cent stake in Sat 1 television.

The rapidly expanding Kirch Group, headed by Mr Leo Kirch, whose interests include film, television and newspapers, holds a 35 per cent stake in the Springer group, and 40 per cent in Sat 1.

Mr Bernhard Servatius, chairman of the supervisory board, said: "Axel Springer will attempt to meet the challenges of the markets with a significantly changed board."

Last year Springer had a turnover of DM3.42m, a fall of 1 per cent on the previous year, and profits of DM71m, a rise of DM14.2m over the same period.

Mr Jürgen Richter, 52, who was due to replace Mr Keiser in a few years, was appointed chairman of the management board.

He will be flanked by three new younger members: Mr Falk Ettwein, 52, chief financial officer, Mr Rudolf Knepper, 49, head of production, and Mr Dieter Pacholski, 54, publishing director.

Those sacked include Mr Claus Liesner, chief financial officer, and Mr Hans-Joachim Marx, responsible for technology, both considered the "old guard" in the group.

The Springer shake-up coincides with the rapid expansion of the electronic media, involving new partnerships among Germany's biggest publishing groups and foreign companies. These include a recent decision by Bertelsmann and Mr Rupert Murdoch's News Corporation to take over Vox, the Cologne-based television station which faced liquidation last month.

However, the opposition Social Democrats yesterday challenged the takeover on the grounds that it would create a "Trojan Channel" in Germany.

Earlier this year, Bertelsmann and the Kirch Group, Germany's two largest investors in private television, joined forces with Deutsche Telekom, the state telecommunications monopoly. The partnership will become the dominant distributor in the country of the next generation of services, such as pay TV programmes, shopping TV and other specialist channels.

However, the Cartel Office, which claims that this could lead to a monopoly, has passed the proposed venture to the European Commission to investigate.

Fall of the Springer old guard, Page 16

CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

NEWS: EUROPE

If not vindicated, certainly a little wiser

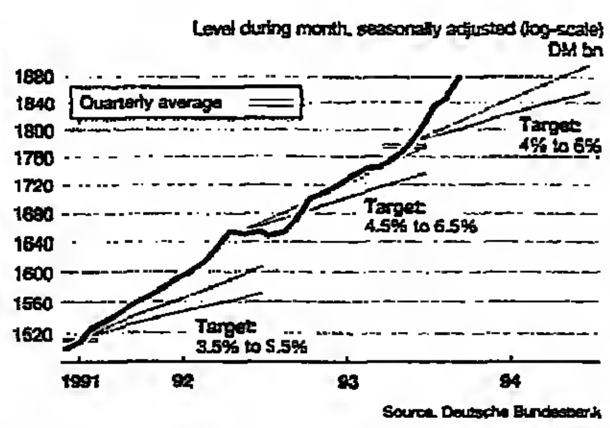
The Bundesbank's totems are set to emerge intact, writes **Christopher Parkes**

The Bundesbank's credibility has been called into question and its monetary management methods have been mocked. But both of these totems, counted among its most prized assets, appear likely to emerge intact from the travails of the past few months.

Mr Hans Tietmeyer, the German central bank's president, may even come through with his reputation as a pragmatic monetarist enhanced. The record of Mr Otmar Issing, the bank's high priest of monetary ortbodoxy, may be similarly embellished.

Germany: M3 growth

Hans Tietmeyer
Bundesbank president



Source: Deutsche Bundesbank

Both, together with their fellows on the bank's central council, are already a little wiser, and keen on learning more.

No one wants a repetition of this year's experiences with the bank's main policy guidance system, the M3 monetary aggregate, which went haywire at the turn of the year and is only now settling down. And while the bank's policy-makers seem to enjoy springing surprises with the timing of their interest rate changes, the markets' bewilderment at their last discount rate cut in mid-May is not an experience they want to repeat.

Some signs of new thinking may emerge today after the council's mid-year review of M3 performance. But it is already plain the over-riding message will be a re-affirmation of faith in monetary targeting. Even though the concept has been dropped in all other leading industrial countries, the Bundesbank insists it is the most reliable indicator of possible inflation.

The M3 components of cash or short-term, easily-accessible savings not safely locked up in long-term bonds or other instruments – so-called monetary capital – are a potential threat to monetary stability, it says.

Accordingly, the idea that the bank should welcome news that money supply is expanding at double its intended rate would in normal circumstances be beyond belief. But that was the case on Tuesday this week, when it announced M3 grew in June at an annualised, seasonally-adjusted 11.3 per cent, compared with the target range of 4-6 per cent.

The fact that the result was better than Bundesbank watchers had expected was one reason for satisfaction. But more important, the fact that the figures showed *"special factors"* that bloated the measure were starting to unwind, tended to support Mr Otmar Issing's fundamental belief in the underlying virtues of M3.

But the council will today examine a wider horizon than the three percentage point span of this year's target range. Mr Tietmeyer said yesterday the bank was studying new factors which could influence M3 – "new phenomena stemming from the internationalisation of capital movements".

In the light of widespread scepticism about the usefulness of the measure, it may also contemplate ways of sharpening assessment of the apparently endless flow of the distorting "special factors". The effects of German unification, tax changes and currency market interventions, for example, have conspired to keep M3 off track for the past three years. As Mr Tietmeyer suggested, future shocks are more likely than not as Germany becomes increasingly enmeshed in fast-moving global markets.

One aim of the central council debate will be to sharpen the efficiency of the bank's long-range radar. Another will be to improve internal and external communications. Failings in both departments appeared to catch the bank napping earlier this year, when January's M3 growth figure, a thundering 21.2 per cent, came in accompanied by a bland statement blaming special factors. A sell-off followed in international markets already rattled by fears of rising US inflation. It was not, as Mr Tietmeyer acknowledged, "a championship performance".

But conflicting statements and apparently contradictory actions by the bank were later to compound suspicions that it did not really know what was happening to M3. The liquidity log-jam was refusing to break up. Meanwhile – and contrary to its established practice of raising rates to choke off monetary growth and potential inflation – the bank was seen to be cutting them on the basis of a bright short-term inflationary outlook.

The mid-May cut in the discount rate was widely seen as an uncharacteristic gamble by a notoriously conservative institution. That view has moderated now that funds stuck in short-term deposits seem to be moving outside the scope of M3. An emboldened Mr Issing said earlier this week it was now not beyond the bounds of possibility for M3 to end the year at or close to target.

Similarly encouraged, Mr Tietmeyer said yesterday the bank believed there were, so far, no inflationary dangers associated with the latest bout of money supply distortions.

Such comforting comments will no doubt go down well in still-jittery markets. More comforting still would be a continuing series of declining M3 numbers for the rest of the year. Even better, and despite recent controversy, another discount rate cut in the interim would be the strongest possible indicator that the Bundesbank had regained its full confidence in M3, and, crucially, in its ability to interpret and control it.

Plans to cut pension benefits will put further strain on shaky cabinet unity

Berlusconi faces another minefield

By Robert Graham in Rome

The bruised unity of Italy's right-wing coalition government faces another tough challenge over plans to cut pension benefits in the 1995 budget.

At a cabinet meeting today Mr Silvio Berlusconi, prime minister, will have to negotiate a delicate compromise on an issue which has caused serious divisions. The three-minister economic team has argued that a large cut in pension benefits will give an essential signal to the financial markets of Italy's determination to tackle the budget deficit.

But others like Mr Clemente Mastella, labour minister, fear a sharp attack on pensions would risk a serious confrontation with the unions.

The problem of finding the right formula on pensions, plus other cuts in social and health spending, has been one of the main causes of the long delay in formulating the 1995 budget and a three-year macro-economic programme. This delay, in turn, has worried the financial markets and has been a factor in the weakness of the lira over the past three weeks.

The prime minister's office announced yesterday a second cabinet meeting was scheduled for tomorrow. This could mean that all the long-awaited economic policy decisions may not be made known until then.

The economic ministers have already warned that if sufficient cuts cannot be found in public spending, there would be little option but to raise taxes. Last week, the government said it would be building the 1995 budget round a benchmark deficit of L144,000bn (£59.7bn), just below 9 per cent of gross national product.

This would mean finding an extra L40,000bn either in taxes or spending cuts. Otherwise they said, the deficit would move inexorably upwards to L184,000bn. Both Mr Lamberto Dini, treasury minister, and Mr Giulio Tremonti, finance minister, promised last week that fiscal pressure would not rise above the 1993/1994 levels. Instead, they would be relying on spending cuts plus a reorganisation of the tax system to make it more efficient.

They also plan to raise extra funds through a form of tax amnesty by clearing up a backlog of 3.2m contested tax assessment cases. Another source of revenue is expected to be a pardon on illegal property development. The precise terms of the latter are still being disputed.

But the real source of conflict in recent days has been over pensions. The economic team believes Italy must accelerate the pace at which the retirement age is moved from 55 to to 60 for women and 60 to 65 for men. This could even mean women being retired at the same age as men. The deficit in the state pensions scheme this year is likely to be more than L80,000bn, or half the total budget deficit.

The unions, who now have more members who are pensioners than active workers, have warned against tampering with benefits. The only evidence of a softening of their stance has been to propose the issue be put aside until autumn. This view has had considerable sympathy from the labour minister, whose portfolio embraces pensions.

Mr Berlusconi for his part may not wish to follow a path that causes a confrontation with the unions. But the sole alternative acceptable to the nervous financial markets would be higher taxes. His most popular election pledge was lowering taxes and creating a million new jobs.

Lukashenko: contradiction

Reformist Belarus cabinet named

By John Lloyd in Moscow

The new president of Belarus has named a cabinet chosen from among the most reformist figures in the country's political class – in contradiction to his campaign promises and his comments immediately after the election.

Mr Alexander Lukashenko was inaugurated as president of the former Soviet state yesterday after a campaign promising closer union with Russia and an end to the privatisation programme as well as to corruption.

Mr Lukashenko appointed a banker, Mr Michael Chigir, as his prime minister. In his first news conference, Mr Chigir said: "I stand for market reforms. Belarus cannot be an island among states moving towards market reforms. For the moment I am for state regulated prices, but that is only temporary. I will pursue reforms."

Further, Mr Lukashenko has asked Mr Stanislav Bogdankevich, head of the central bank and the strongest opponent in the previous government of a merger of the Russian and Belarus currencies, to continue in his post.

Mr Bogdankevich, previously regarded by Mr Lukashenko as one of a number of corrupt officials be would sack, is also identified with the small and so far weak group of market reformers in the Belarus government.

These moves appear to show that Mr Lukashenko, even more than Mr Leonid Kuchma, the new president of Ukraine elected at the same time, is positioning himself to bring in a quite different policy in government from that laid out to his electors. Mr Kuchma, generally seen as pro-Russian and elected with the support of the Communist and Socialist groups, has since also revealed bimself as pro-reform and for the retention of full independence.

However, the plight of both Belarus and Ukraine remains perilous. The two states were heavily dependent on the Soviet military for the purchase of their industrial output. The collapse of defence orders and the rise of energy prices to near world market levels have decimated their industries and living standards.

It now seems likely that they will seek to negotiate an economic agreement with Russia aimed at ending tariff and customs barriers between them and re-establishing links between their enterprises.

Jail looms again for released Italians

By Robert Graham

The Italian government's abrupt about-turn on the controversial issue of preventive detention has left more than 2,000 people wondering whether they will be obliged to return to jail.

Yesterday, the jails were still releasing people in line with the terms of the decree approved by the cabinet last Wednesday that restricted the judiciary's right to arrest and imprison. But this decree is now due to be dropped by mid-August – as soon a new text is endorsed in cabinet and passed through parliament.

Since last Thursday, when the decree came into force 2,137 people have been freed from jails all over Italy. Of these 929 have been confined to house arrest. According to Ansa, the national news agency, 189 had been held in preventive detention on various charges of corruption and only 125 of these were under house arrest.

The main public outcry has centred on the release from prison of those held on charges linked to the nationwide investigations into corruption. But magistrates said yesterday they were concerned that at some known drug-dealers and criminals had been able to secure release under the decree.

These included a man held on fraud charges, but alleged to be the personal doctor of Mr Toto Riina, acknowledged head of Cosa Nostra, the umbrella organisation of the Sicilian Mafia.

"Each individual public prosecutor's office will be able to decide on an individual basis whether or not those released will have to go back to prison," Ms Elena Paciotti, chairman of the national magistrates'association, was quoted as saying. But she insisted that this case-by-case approach would have to wait until the new law had been approved. The revised law will reinstate cases of corruption involving the public administration as a serious crime; but it is not clear what other crimes will be reclassified as serious.

Lawyers were also divided on whether time now spent under house arrest could be included as part of the time served in prison. Magistrates can hold people in preventive detention for a maximum of three months, unless exceptional proof for renewing the imprisonment is accepted by a special civil liberties tribunal.

Yesterday, the team of Milan anti-corruption magistrates, who resigned in protest over the introduction of the decree, were working normally. However, they indicated that they were reserving their judgment until the text of the new law was known. Although they were the only ones to resign, their stance was backed by colleagues in other prosecutor's offices all over Italy.

Italy's media, meanwhile, were unanimous in the view that Mr Silvio Berlusconi, the prime minister, had suffered a serious setback with such headlines as "Berlusconi surrenders and withdraws decree" and "Isolated and defeated". In a withering front-page commentary, Mr Eugenio Scalfari, editor of La Repubblica and a declared adversary of the prime minister, said: "What happened yesterday was the lowest point ever touched [in the Republic]."

Balladur puts the squeeze on spending

By John Ridding in Paris

Mr Edouard Balladur, the French prime minister, yesterday ordered ministers to curb their spending requests for 1995 and said that the rise in total government expenditure had to be limited to the expected inflation rate of 1.7 per cent.

His demand, made during meetings with government ministera, represents an attempt to reassure financial markets that the government's plans to cut the budget deficit will not be compromised by political pressures ahead of next year's presidential election.

Mr Balladur warned that failure to stick to the government's five year budget deficit reduction plan could threaten economic growth by putting upward pressure on interest rates. Under the plan, the deficit is targeted at FFr301bn ($56bn) this year and FFr275bn in 1995, compared to FFr315bn last year.

Details of ministerial spending requests for next year have not been revealed, but are thought to be substantially higher than the funds available. Debt repayments and pay increases for civil servants mean that most ministries will face spending cuts this year. The most difficult ministries are thought to be defence and social security.

Political opponents, however, were unimpressed by Mr Balladur's statements. The Socialist party attacked the rise in public sector debt. "There has been a significant deterioration which does not appear to have achieved anything," the Socialists said in a statement.

"Unemployment has grown in worrying proportions and the spending commitments of the government are only met with difficulty through exceptional receipts," the statement said, in a reference to the centre-right government's privatisation programme.

Mr Nicolas Sarkozy, the budget minister, said that letters would now be sent to the various ministries outlining the ceiling for expenditure for next year. The finalisation of the 1995 budget would then be negotiated in the autumn of this year.

"There was unanimous agreement on the need to bring public finances under control," Mr Sarkozy said.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 5964481. Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd. London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2733. Commission Paritaire No 67808D.
DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

'Semi-detached' called back home

David Buchan on an ultimatum to civil servants in private industry

The French government is quietly rolling back the frontier of state involvement in the private sector. It is giving senior civil servants in privatised companies six months to rejoin the civil service or leave it definitively.

The ultimatum yesterday by Mr André Rossinot, the civil service minister, means that top flight civil servants, or members of the so-called *grands corps* of state financial inspectors, auditors and lawyers, will no longer be able to choose to work for years on "detachment" in newly private companies while retaining the option to return to the civil service without missing anything in pay or rank.

In contrast to other countries which draw their elite from universities, France has traditionally trained its elite in administrative schools. Typical is the Ecole Nationale d'Administration (ENA) whose top graduates pass into the *grands corps* of the Inspectorat des Finances, the Coor des Comptes (the public audit body) and the Conseil d'Etat (which acts as the government's adviser on legislation and top administrative tribunal).

After four years' service in these *grands corps*, these bureaucrats can seek "detachment" to do whatever they want, but with an indefinite return ticket.

If for instance, Mr Edouard Balladur, the prime minister, should decide to give up politics, he can always return to the Conseil d'Etat, as Mr Jacques Attali did last year when he resigned as head of the European Bank for Reconstruction and Development.

"By removing this safety net for *fonctionnaires* in privatised companies," said an aide to Mr Rossinot yesterday, "we may be moving towards a more Anglo-Saxon system, perhaps with golden parachutes" – large pay-offs to tempt senior civil servants into business.

Mr Rossinot has given civil servants working for companies already privatised until the end of the year to make their choice, though those of 10 years' or more standing in the civil service can remain "at the disposition" of the state with fewer privileges for a further six years. This will affect those at Rhône Poulenc, the chemicals group, Banque Nationale de Paris, and the UAP insurance group – all now in the private sector.

Mr Rossinot's circular is moot in the case of the privatised oil group Elf-Aquitaine, whose president, Mr Philippe Jaffré, has already resigned as an *inspecteur des finances* and given his 60 colleagues in the same position until May 30 to make their choice.

All but 10 have resigned from the civil service. Mr Jaffré argued it was unfair for many top Elf directors not to share the same career risks as the rest of the company's staff.

EUROPEAN NEWS DIGEST

Bosnian Serb leader warms to peace plan

Mr Radovan Karadzic, the Bosnian Serb leader, yesterday gave a teasing response to the internationally sponsored peace plan by calling it a "good basis for negotiation". His response - described by one diplomat as a "yes, and..." - was delivered behind closed doors to representatives of the five-nation contact group in Geneva. The group, consisting of the US, Russia, Britain, France and Germany, had insisted on a clear Yes or No to its proposal for splitting Bosnia 51-49 between the Moslem-Croat alliance and the Serbs. The Moslem-led Bosnian government has accepted the plan, while Mr Karadzic has avoided answering directly. On Tuesday, sources close to the Serbs said they may push for an agreement on the condition that they could have a seat at the United Nations – a demand that would challenge the concept of a single Bosnian state.

In Brussels, prospects for intensified use of western air power against the Serbs in Bosnia were clouded after some Nato members expressed the view that a fresh UN mandate would be needed to establish new "exclusion zones". Existing UN resolutions have been used to justify establishment of exclusion zones, where heavy weapons are subject to air strikes, in both Sarajevo and the enclave of Gorazde. Some Nato ambassadors meeting in Brussels yesterday said existing UN mandates did not go far enough to justify more draconian use of air power or extension of the "exclusion zone" principle. *Bruce Clark, London*

Spain returns trawler to France

The Spanish government yesterday evening defused a political row with France by handing over La Gabrielle, the hijacked tuna trawler, to the French authorities. La Gabrielle had been held since last weekend by Spanish fishermen after violent clashes with their French counterparts over the size of the French trawler's tuna nets. France has since the start of the week been pressing for the return of La Gabrielle. Mr Edouard Balladur, the French prime minister, stepped up the diplomatic pressure by calling at yesterday's cabinet meeting for the "immediate return" of the vessel and stressing that his government would press for "compensation" for its owners. However, a Spanish official, who boarded La Gabrielle on Tuesday, reported that its tuna nets were twice the maximum size of 2.5km permitted under European Union regulations. The Spanish authorities yesterday afternoon persuaded the hijackers to surrender La Gabrielle to them, but stressed that Spain would continue to lobby for the application of EU fishing regulations even after returning the trawler to French hands. *Alice Rawsthorn, Paris*

Danes move over shipyard aid

The Association of Danish Shipbuilders yesterday sent a writ against the European Commission to the European Court in Luxembourg alleging that the Commission exceeded the terms of an EU directive when it approved German subsidies to shipyards in the former East Germany. The association took action when the Danish government itself decided last Friday not to bring a case. As the writ, challenging a Commission decision of May 11 this year, had to be lodged by midnight last night, the association's writ was sent by courier. The EU's 7th shipbuilding directive approved German subsidies to the eastern shipyards for a total of DM3.2bn ($2bn), but only on certain conditions: the capacity of the yards had to be reduced and operating subsidies were not to exceed 36 per cent of "normal turnover." The association claims that the capacity of the yards will in fact be expanded very substantially and that the operating subsidies to the MTW shipyard at Wismar, owned by the Bremer Vulkan group, will be 70 per cent of turnover. *Hilary Barnes, Copenhagen*

Hungary media chiefs named

Hungarian President Arpad Goncz has appointed new heads of state television and radio after years of political controversy over broadcasting, his office said yesterday. He accepted nominations made by new Socialist Prime Minister Gyula Horn and appointed Adam Horvath president of state television and Janos Sziranyi president of state radio, after consultations with opposition parties broke down. The opposition parties and a group of journalists had appealed to Mr Goncz to delay the appointments. Trade unions and broadcasters' professional groups urged him to go ahead. Many journalist groups in Hungary and abroad have accused the former centre-right government, which was replaced by a socialist-liberal coalition last Friday, of using electronic media to promote itself and attack its adversaries. The new government has proposed that parliament pass a long-stalled media law that would enshrine guarantees of editorial independence for broadcasters and pave the way for partially privatising electronic media, over which the state has a virtual monopoly. *Reuter, Budapest*

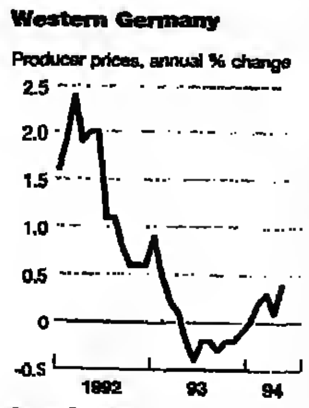
Fighting flares in south Russia

Fighting erupted in the breakaway southern Russian region of Chechnya yesterday after opposition forces blew up a highway bridge leading into the capital, Interfax news agency reported. The battle pitted gunmen loyal to President Dzhokar Dudayev against fighters loyal to opposition leader Ruslan Labazanov. A clash between the same two groups last month claimed at least 140 lives, including those of nearly 100 non-combatants, Interfax said. Also killed in the June fighting was Mr Labazanov's brother. According to Interfax, the opposition leader has sworn to avenge his brother's death. Chechnya is famed for its gun-toting clans and has a long history of blood feuds and revenge killings.It has severed most economic ties with Russia, and the resulting lawlessness and economic hardship have helped swell the ranks of the opposition in recent months. Mr Dudayev, a former Soviet air force general, was elected president of Chechnya in 1991 and immediately declared the independence of the tiny, mountainous region in southern Russia. Since then, the opposition has repeatedly tried to topple him. *Associated Press, Moscow*

ECONOMIC WATCH

German producer prices ease

Western Germany



Source: Datastream

Western Germany's producer price index eased in June by 0.1 per cent from May, but rose 0.4 per cent from June 1993, the federal statistics office reported. Analysts had predicted a 0.2 per cent increase from May and 0.7 per cent from a year earlier. In May, producer prices rose 0.2 per cent from April and were up 0.4 per cent from a year earlier. Western Germany's seasonally adjusted and annualised inflation rate rose by 2.5 points both in the second quarter and first half of this year, the Bundesbank said in its July report. The data are based on cost of living indices, excluding the oil tax rise at the beginning of the year. The bank said the "moderate development" of western German consumer prices in June was an extension of a trend seen in recent months. *AP, Wiesbaden*

■ Italy's public sector deficit narrowed to a provisional L77,000bn (£32bn) in the first five months of this year from L88,665bn in the corresponding period of 1993, the treasury announced yesterday. Tax revenue amounted to L173,996bn in the period, public sector spending totalled L210,447bn, while treasury operations resulted in a deficit of L36,451bn.

Venezuelan probe into medicine pricing

Judge arrests drug company chiefs

By Joseph Mann in Caracas

A Venezuelan criminal court judge investigating alleged overpricing of medicines has issued 16 arrest warrants against executives of pharmaceutical companies operating in Venezuela, including the subsidiaries of several multinationals.

The warrants, issued by Judge Cristobal Ramirez in Caracas, are against executives from companies, including units of Ciba-Geigy, Eli Lilly, Merck, Rhône-Poulenc, Roche, Sandoz and Servier. Most of the executives cited are reported to have turned themselves in to the judge and have been released on bail.

Judge Ramirez, who has said his investigation will affect more pharmaceutical companies, claims that lists of products submitted to the government at the beginning of this year by drug companies contained prices that were inflated in comparison to prices listed a month earlier. At the time, the outgoing government, replaced by the administration of President Rafael Caldera on February 2, was getting ready to order wide-ranging price controls on medicines.

Representatives of drug companies have said the prices submitted before the imposition of price controls contained increases covering a new value added tax (which was later eliminated) and other legitimate cost increases.

Mr Francisco Allende, executive director of Caveme, an industry association that includes the 36 international drug companies operating in Venezuela, said the steady devaluation of Venezuela's currency had hit retail drug prices, since over 70 per cent of the value of products sold in Venezuela are imported.

"We can't live with prices frozen at the level of December 1993, with the dollar reaching as high as 200 bolivars," he said. The dollar cost of imports has risen sharply. Before exchange controls announced on June 27, the bolivar had fallen to 200 to the dollar, representing a 47 per cent devaluation from the end of 1993.

"Prices of medicines are frozen, but the industry still has to deal with increasing costs for imported raw materials and other inputs, as well as costlier labour," Mr Allende added.

One pharmaceutical company executive said: "These charges are seen by many as a witch hunt against the pharmaceutical industry, since they've come at a time when the government is blaming the business sector for high prices and is trying to bully us into price stability."

Many managers believe the government has helped to create a general anti-business environment in recent weeks, accusing shopkeepers of profiteering, speculation and hoarding, in an effort to divert blame for the failure of earlier anti-inflation policies.

An Argentine girl holds a portrait of a friend who disappeared after the bombing of a seven-storey Jewish community centre in Buenos Aires on Monday. The death toll yesterday rose to 33, with 157 people hurt. Israel has blamed Moslem extremists. Reuter

Fed chief sees moderate economic growth rate

By Ken Warn in Washington

The US economy is settling into a pattern of more moderate growth, Mr Alan Greenspan, Federal Reserve chairman, said yesterday in his half-yearly report to Congress.

The Fed forecast real GDP growth of 3-3.25 per cent over this year, unchanged from its February forecast, and 2.5-2.75 next year. This compares with growth at an annual rate of 7 per cent in the last quarter of 1993 and 3.5 per cent in the first quarter of this year.

"The favourable performance of the economy continued in the first half of 1994," Mr Greenspan said in his generally upbeat prepared testimony to the Senate banking committee. "Economic growth was strong, unemployment fell appreciably, and inflation remained subdued."

Growth should continue at a moderate rate over the next six quarters while inflation should remain subdued, provided "appropriate" monetary policies were pursued, he said.

Inflation is projected at 2.75-3 per cent this year, and little changed or only slightly higher next year.

Accompanying those projections, however, Mr Greenspan gave a detailed rationale for the Fed's succession of monetary tightening moves so far this year and foreshadowed further possible rate rises should the inflation picture show signs of deterioration.

"It is an open question whether our actions to date have been sufficient to head off inflationary pressures and thus maintain favourable trends in the economy," he said.

Reviewing possible danger signals on inflation, Mr Greenspan noted that labour markets had tightened considerably in recent months, while costs of commodities and materials had climbed, partly reflecting tighter capacity utilisation. Improving economic conditions among the US's trading partners should further boost demand, he said.

However, on the positive side wage rates had not shown "persuasive" signs of acceleration so far and consumer price rises excluding food and energy had remained near last year's pace.

In such circumstances the Fed would maintain its vigilance over price acceleration. "An increase in inflation would come at considerable cost," he warned. "We would lose hard-won ground in the fight against inflation expectations – ground that would be difficult to recapture later... and harsher actions would eventually be necessary to reverse the upsurge in inflationary instabilities."

Much of Mr Greenspan's testimony was devoted to recent market volatility. The financial markets were not fully prepared for the Fed's shift from its accommodative stance on interest rates in February, he acknowledged.

This lay behind the Fed's gradualist policy in raising rates. Nonetheless, there was a sharp market reaction to the Fed's first ¼-point rate rise.

Evidence of unexpectedly strong economic growth in the US and abroad, combined with the changing expectations of Fed moves, prompted sharp rises in long-term interest rates over the first half.

On the recent dollar weakness, the Fed chairman said appropriate monetary and economic policy would achieve the goals of solid economic growth and price stability, and ensure that dollar-denominated assets remained attractive to global investors.

Rising interest rates and financial market volatility did not seem to have slowed overall credit flows this year, Mr Greenspan said. Domestic non-financial sector debt had grown at an annual rate of 5.25 per cent up till May, well within its 4-8 per cent monitoring range.

However, the composition of debt growth was changing, Mr Greenspan said. Expansion of federal debt had slowed as a result of efforts to cut the budget deficit. Business, household, state and local government debt had been growing faster. This indicated that private borrowers had become less cautious about taking on debt and lenders were more comfortable lending.

Nonetheless, the expansion of monetary aggregates remained subdued this year. Looking ahead, the Fed's provisional forecasts for broad money growth show M2 within a 1-5 per cent range for 1995, unchanged from this year, with M3 within an unchanged 0-4 per cent range.

The Fed's economic projections

	1994	1995
Percentage change:		
Nominal GDP	5.50 - 6.00	5.00 - 5.50
Real GDP	3.00 - 3.25	2.50 - 2.75
Consumer price index	2.75 - 3.00	2.75 - 3.50
Average level:		
Civilian unemployment rate	6.00 - 6.25	6.00 - 6.25

US hints at deadline for Haiti rulers to go

By Jurek Martin in Washington

The US yesterday increased the war of words on Haiti's military leaders and appeared to set a deadline of October 1 for them to relinquish power voluntarily.

Mr Bill Gray, the US special envoy, said: "Our expectations are that the 'three stooges' will not be in power" by that date. He was referring to Lt Gen Raoul Cedras, the army chief, Brig Gen Philippe Biamby, army chief of staff, and Lt Col Michel François, who heads the police.

President Bill Clinton himself said a US military invasion was not "inevitable" but he was "now more determined than ever to see that we have a change of leadership down there".

The administration has, meanwhile, begun a new round of talks at the United Nations that could lead to the authorisation of a UN peacekeeping force in Haiti, and even UN endorsement of a US-led invasion by a multinational force.

However, Congressman Bill Richardson returned from Haiti on Tuesday saying that Lt Gen Cedras might be ready "to make a move" to avoid a US invasion.

After a White House session with Mr Clinton yesterday morning, Mr Richardson said he thought invasion should be "a last resort". Current US policy, he said, "is working, economic sanctions are biting, the refugee policy is also working. I think it's important we be patient." Other congressmen at the meeting reported no sense of an imminent US invasion.

But Mr Gray, who earlier had spoken of a six-month timetable for the restoration of democracy, ruled out protracted discussions with the junta.

"We are only open to one negotiation; when are you leaving?" he said.

He was also dismissive about popular US opposition to an invasion. "You don't make foreign policy by polls," he declared.

Study gives boost to Clinton healthcare plan

By Jeremy Kahn in Washington

The US Treasury yesterday provided ammunition for the administration's healthcare reform initiative, with a report that 84 per cent of the 37m Americans without health insurance were from working families.

The Treasury defined working families as those in which at least one spouse had a permanent full-time job.

"The bottom line: the uninsured are your middle-income working neighbours," said Mr Lloyd Bentsen, Treasury secretary, as he announced the results of the Treasury study.

Mr Bentsen said the administration hoped these findings would dispel the myth that the "uninsured are poor, or disabled, or elderly".

The average uninsured family has an income of $30,000 (£19,700), well above the federal definition of poverty, says the report, which also finds that close to 25 per cent of uninsured Americans are children.

"Millions of children across this country have no insurance," Mr Bentsen said. "Children don't hire lobbyists. They don't have anyone to speak for them in this debate, but they are the ones most vulnerable."

'The uninsured are your middle-income working neighbours'

As Congress nears the legislative phase of healthcare reform, Mr Bentsen and President Bill Clinton moved to clarify statements made by Mr Clinton yesterday. Mr Clinton had said that while his goal was for "universal coverage" he would accept a reform package that "moved towards" universal coverage.

"I don't see the president backing down," Mr Bentsen said. "I think universal coverage, when you define what we are talking about, is guaranteeing the right to every American of insurance."

Mr Bentsen also said that the administration "preferred" to achieve such coverage by making it mandatory for employers to pay to insure their workers, but the president would accept an alternative proposal if it still covered all Americans.

Mr Bentsen was confident congressional leaders could be convinced to pass healthcare reform this year, but he refused to comment on whether the administration's initiative could be passed.

NEWS: INTERNATIONAL

Peres breaks 46-year Jordan taboo

By James Whittington at the Dead Sea, Jordan

Another taboo in Middle Eastern politics was broken yesterday when Mr Shimon Peres, Israel's foreign minister, crossed the border from Israel to Jordan to hold peace talks with Mr Abdul-Salamal-Majali, the Jordanian prime minister, and Mr Warren Christopher, US secretary of state, on the shores of the Dead Sea.

Mr Peres flew in from Jerusalem in a military helicopter to become the first Israeli cabinet minister to be received openly in the kingdom. "It took us 15 minutes to fly over but 46 years to arrive to this place of peace and promise," he said on arrival.

The talks are the fifth in a series of trilateral negotiations which began last October to focus on areas of economic and infrastructural co-operation between Jordan and Israel.

They come a day after the close of bilateral border talks on land and water rights and less than a week before Jordan's King Hussein is due to meet Mr Yitzhak Rabin, the Israeli prime minister, in Washington.

All three parties emphasised the historical importance of the meeting, saying it was a critical step on the path towards peace between the two countries. Mr Peres said that a similar meeting had been suggested six months ago but "at the time seemed an impossibility".

Mr Christopher said that now the ice had been broken, "high-level negotiations could take place regularly."

But having just arrived from Damascus he was careful to stress that progress on the Jordanian track would not be to the exclusion of Syria, where he is due to return tomorrow.

Mr Peres described the planned summit between the Jordanian king and Israeli premier as "the start of a new era" in Jordanian-Israeli relations, and Mr Majali, who was acting in his role as foreign minister, did not rule out the signing of some kind of agreement or declaration in Washington.

However, he warned against optimism that a full peace treaty between the two sides would be signed soon.

Instead, peace would come in stages: "Like a book, the peace will come in chapters. Only when all the chapters have been written can a full peace treaty be signed. Although this is not to say that along the way each chapter can be put into practice," he said.

Earlier in the day, King Hussein said: "I hope to sign as soon as it is possible. But not next week."

Concrete agreements at the end of the talks were limited to further studies on future projects and economic co-operation, including:

- A master plan to develop the Jordan Valley into a joint national heritage park.
- A study of aviation routes to benefit both countries.
- A commission to promote tourism which will include opening a crossing-point between Aqaba and Eilat, on the Red Sea, for third-country nationals.
- A site survey for a road linking Jordan, Israel and Egypt along the Gulf of Aqaba.

Mr Peres spoke optimistically of open borders, trade and skies in the future where "farms replace soldiers and greenhouses replace army barracks."

He said that the border dispute in which Israel occupies around 380 square kilometres of Jordanian land was near resolution: "We can mark out [the border] now while respecting the sovereignty of both sides," he said.

Israelis and Palestinians sing and chant peace slogans (above) as Israeli and Jordanian flags are waved during demonstrations supporting the peace process in Jordan attended by Warren Christopher (below left) and King Hussein. Reuter and AP

Manila agrees $469m debt deal

By Jose Galang in Manila

The Philippines has concluded an agreement for the rescheduling of $469m (£308m) worth of debts from its Paris Club of official creditors, the government announced yesterday.

The rescheduling, agreed in Paris, follows the approval on June 24 by the International Monetary Fund of a $685m credit package to support the country's growth-oriented economic programme for the period to June 1997.

It also precedes a meeting today, also in Paris, of the consultative group that co-ordinates a World Bank-led multilateral assistance programme for the Philippines.

Pledges of some $2bn concessional loans and grants are expected at the meeting.

With these financial packages, the Philippines now stands "on the threshold of a full and dramatic recovery," Mr Roberto de Ocampo, the finance secretary, said.

The rescheduling, Mr de Ocampo said, supports "the soft-landing approach to the country's exit from exceptional financing...to achieve growth consistent with sustainable external accounts primarily supported by voluntary flows."

The economy grew by 4.8 per cent in the first quarter of this year, a big jump from 0.3 per cent in the same period last year.

This has led to expectations that the 4.5 per cent growth targeted for the full-year will be exceeded.

252 detained as strike hits Nepal

Nepali police yesterday detained 252 people who were enforcing a communist-sponsored nationwide strike that paralysed the capital Kathmandu and most of the country, agencies report from Kathmandu.

An interior ministry spokesman said demonstrators demanding that Mr Girija Prasad Koirala, caretaker prime minister, leave office damaged 15 state-owned commuter buses, a police van and a car with Indian licence plates in the capital. The strike brought Kathmandu to a standstill.

Mr Koirala, 70, Nepal's first democratically-elected leader in three decades, resigned on July 10 after losing a policy vote in parliament, but was asked by King Birendra to stay on as caretaker.

The communist-led opposition demanded that Mr Koirala leave office so that he cannot influence the outcome of the general election scheduled for November 13. At least 20,000 people gathered near the royal palace to back the call.

Mr Koirala's government collapsed because of infighting in his Nepali Congress party, but many Nepalis are also frustrated that democracy has not done more to alleviate the country's poverty.

The opposition demands that King Birendra, who gave up his absolute powers to become a constitutional monarch in 1990 after a bloody pro-democracy campaign, appoint a government of national unity to oversee the elections.

Disabled to have redress under new HK legislation

By Simon Holberton in Hong Kong

The Hong Kong government said yesterday it plans next year to introduce comprehensive legislation to outlaw discrimination against people with disabilities.

Mrs Elizabeth Wong, the colony's secretary for health and welfare, said that harassment and vilification of the disabled will also be outlawed. Disabled people will have redress to an Equal Opportunities Commission which is to be established, if they believe they are the target of discriminatory practices.

The legislation will also cover those who are HIV positive or have Aids – a provision which goes further than the UK where workers sacked for having the HIV virus have recourse only to the general law on employment protection.

A week ago the government published a discussion paper that advocated the introduction of an old-age pension. This drew a hostile reaction from business which earlier this week countered by suggesting the expansion of existing benefits rather than creating a new one.

The latest announcement is bound to raise concerns among the more conservative elements in Hong Kong who think the government is going too far in its welfare policy.

Mrs Wong said the legislation would enshrine in law "the standards to which we believe Hong Kong, as a civilised community, should adhere". She said "disability" was any physical or mental impairment that limited a person's life activities.

The proposed legislation will contain provisions to cover discrimination at work, in recreation and education, as well as in housing, and access to and use of buildings.

The law will not impose general requirements on employers to provide more jobs or better facilities to persons with disabilities.

There will, however, be two general exemptions from the law: unjustifiable hardship, and the inherent requirements of the job. The law would not require that people with a disability be given a job which they could not do, she said.

"The legislation will not require absolute equality in all areas whatever the cost," Mrs Wong said.

Beijing settles on talks date

By Laura Tyson in Taipei

Taipei and Beijing have finally settled on a date for a fresh round of talks, the first since the March 31 murders of 24 Taiwan tourists in eastern China.

Following weeks of face-saving proposals, the meeting will be held in the Taiwanese capital Taipei on July 30 between the quasi-official straits exchange foundation (SEF) and its Chinese counterpart, the association for relations across the Taiwan straits (Arats).

A sixth round of working-level talks on fishing disputes and repatriation of illegal immigrants and airline hijackers will be followed by a second round of meetings between Arats and the SEF.

BOJ QUARTERLY ECONOMIC REPORT

Japan heads for recovery

By Gerard Baker in Tokyo

The Japanese economy is at last headed for recovery, the Bank of Japan said in its quarterly economic report published yesterday.

Buoyed by rising consumption, fiscal and monetary policy stimuli and expansion in overseas markets, Japanese business was emerging from the long recession, the central bank said. But it warned that the pace of recovery would be slow as private sector investment remained weak and unemployment drifted upward.

In its last report issued in April, the Bank said only that the economy had "stopped declining", but in recent months it has become much more optimistic about the prospects for recovery. Yesterday's report underlined its sanguine view. It said the recent sharp rise of the yen against the dollar might not be as damaging as some industrialists have feared, since it could be offset by world economic recovery and cost-cutting in Japanese businesses.

Most components of aggregate demand would support recovery in the current year, according to the Bank. Income tax cuts and price stability would bolster personal consumption. Public sector investment was rising, and even private sector investment, which has been particularly sluggish in the last three years, was expected to stop declining in the latter part of the year.

Only exports were expected to show a decline as manufacturing production continued to shift overseas.

The risks to the recovery remained strong, however. Corporate indebtedness continued to act as a brake on private investment, and import penetration of Japanese markets posed a threat to companies' prospects.

In a separate report yesterday, the research institute at the Long-Term Credit Bank of Japan said it was raising its forecast for growth in the current year to 0.7 per cent from minus 0.2 per cent in its last forecast in January. The institute said the improved prospects were due to stronger than expected recovery in personal consumption and robust private housing investment.

PM in change of heart over military

By William Dawkins in Tokyo

Japan's new socialist prime minister yesterday formally declared the military to be constitutional, an historic retreat from his party's deep pacifism.

Mr Tomiichi Murayama was greeted by shouts and applause in parliament, where he announced his political about-turn. It came in response to a question from Mr Tsutomu Hata, his predecessor, who was needling him for forcing Mr Hata's resignation three weeks ago. Mr Hata, a firm supporter of the self-defence forces, stepped down rather than face a no-confidence vote from Mr Murayama's Social Democratic party and the conservative Liberal Democratic party.

"Please listen to this carefully," Mr Murayama told the chamber. "As long as we keep the defence-only posture and as long as they are kept at a minimum, the Self-Defence Forces are constitutional."

Mr Murayama's remarks will be greeted with relief by the armed forces, of which he automatically became commander in chief on taking the prime ministership.

Under nearly four decades of LDP rule, Japan grew to become the world's largest defence spender after the US, if military pensions are included. This is despite article nine of Japan's 1946 constitution, which says "land, sea and air forces, as well as other war potential, will never be maintained."

Officially, the SDP takes the constitution literally, though its moderate leadership has long admitted that the party's anti-military stance is unrealistic.

This is the latest sign of SDP leaders' willingness to abandon party principles in the interests of staying in the government coalition with the LDP, which brought Mr Murayama to power as the first socialist prime minister in 47 years.

Murayama: about-turn

Japanese frugality comes under threat

Finance ministry officials are trying to prevent an explosion of state debt, writes **William Dawkins**

Japan's finance ministry is struggling to prevent the new government from detonating what officials fear may become an explosion of state debt.

The new three-party coalition's populist plan to cut income taxes and further drive up spending has created alarm among the finance ministry's mandarins, reluctant to abandon the fiscal frugality which they see as a vital feature of Japan's economic strength.

After strenuous persuasion by the ministry, the previous coalition had agreed that an income tax cut must be decided at the same time as a subsequent rise in the 3 per cent sales tax, possibly to 7 per cent. A decision was being prepared for late June, until the new government, with its lax tax policy, staged its parliamentary coup three weeks ago.

The sales tax rise would not only fund the income tax cut, but also start to compensate for a decline in the income tax base which will be caused by a sharp growth in the number of pensioners. This is needed because Japan's present tax structure prepares it badly for the coming grey wave. A fifth of government income comes from sales tax, well below the average of 30 per cent for Organisation for Economic Co-operation and Development countries, and around two-thirds of state revenue is derived from income tax, with the balance from property and capital gains taxes.

Mr Tomiichi Murayama, the socialist prime minister, and his Liberal Democratic party partners now wish to leave any planned rise in the politically unpopular sales tax vague. Finance ministry officials now have no idea when or whether they will obtain their cherished tax reform, a poison chalice that may be passed to a future government.

In the meantime, coalition leaders want to fund the tax cuts they plan to make – around Y6,000bn (£38bn) annually – with a mixture of cuts in government spending and the issuance of deficit bonds. This is heresy to a finance ministry deeply scarred by its mid-1970s experience of struggling to control a rising budget deficit, a consequence of a rise in public spending to stimulate the economy after the first oil shock.

Most Japanese state debt is in the form of construction bonds, so called because they finance infrastructure projects, so adding to the nation's physical wealth. The finance ministry has no objection to these, but does object to increasing its dependence on deficit bonds to cover future pensions and other non-infrastructure spending.

The ministry agreed to four economic stimulus packages, totalling Y45,000bn over the past two years, only on condition that it would not have to issue deficit bonds to fund them. In the event, it was forced this year to issue deficit bonds for the first time since 1989, to cover just over 4 per cent of spending. Officials fear it will be hard to resist issuing more.

This may be "unavoidable", warns Mr Yoshiro Mori, secretary general of the LDP.

Just as worrying, the new government has pledged abundant cash hand-outs during its short time in office, to do more to stimulate the economy, but also to satisfy politically important groups such as farmers.

The coalition's plan to cut taxes and drive up spending has created alarm

The latest government largesse includes a Y40,000bn plan to install a national fibre optic cable network next year, and there is talk of adding Y170,000bn to an existing Y430,000bn public works programme, covering the decade to 2000. This week's cabinet meeting was deluged with ministerial requests for "exceptional treatment" for pet projects in next year's budget.

Government finances are far weaker than politicians realise, argues the ministry. Applying the standard international measure, Japan's general government deficit stands at 1.9 per cent of gross domestic product, apparently far healthier than the US, at 2.6 per cent, according to the OECD.

This is a misleading guide, say the bureaucrats. Japan's budget deficit includes a 3.8 per cent of GDP surplus on its social security budget, more than three times the average social security surplus for the Group of Seven leading industrial nations. Exclude social security, and the government deficit shoots up to a worrisome 5.7 per cent of GDP, well ahead of the US at 3.5 per cent.

Japan's social security surplus is artificially large because its social security system is much younger than those of its partners. That means it is flush with contributions but not yet depleted by pay-outs. It will quickly turn into a deficit as the proportion of people aged over 65 climbs from around 12 per cent – among the lowest in the OECD – in 1990, to 25.5 per cent, expected to be among the highest in the industrialised world, by 2020.

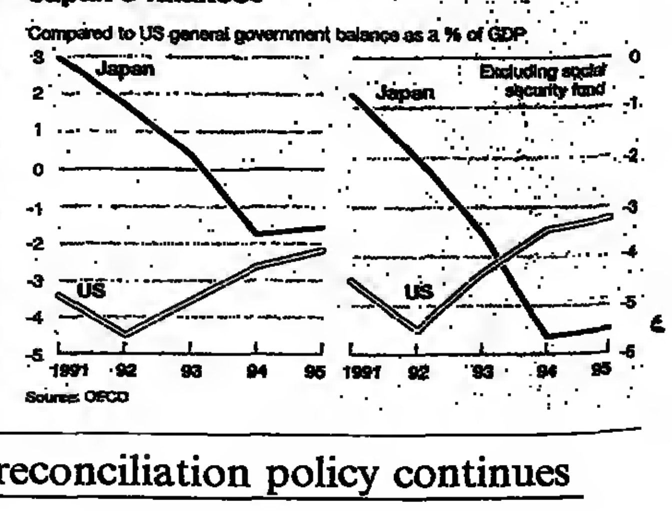
The finance ministry is unwilling to plunder the social security budget for general spending on the grounds that the cash belongs to future pensioners and may in any case be inadequate to meet obligations. It does already lend from the social security budget to other state bodies, such as the Japan Development Bank, to fund their own projects, so the surplus is not idle.

Japan looks surprisingly indebted by another measure – its interest bill. The cost of servicing its accumulated Y200,000bn debt reached 15.7 per cent of GDP last year, the highest among the world's five top economies, according to the OECD. That will rise. The government borrowed to finance 14 per cent of its spending last year, climbing to nearly 19 per cent this year.

The mandarins believe they can probably count on the support of former finance ministers in the LDP, the largest member of the coalition, as well as centre-right opposition parties. But for the time being, the provident are in a minority. Japan's new government is in a mood to ignore the finance ministry and borrow its way out of trouble.

Japan's finances

Compared to US general government balance as a % of GDP



Source: OECD

Some fear power struggle even if reconciliation policy continues

Kim succeeds father in N Korea

By John Burton in Seoul

Mr Kim Jong-il was proclaimed as North Korea's new leader yesterday at a memorial ceremony in Pyongyang for his father, the late president Kim Il-sung.

The reclusive Mr Kim did not speak to the hundreds of thousands of people that crowded into Kim Il-sung square, but Mr Kim Yong-nam, foreign minister, led a group of officials who vowed support for the 52-year-old Dear Leader and referred to him as "head of state".

Mr Kim is expected to assume the positions of general secretary of the Korean Workers' Party and president after the party and parliament hold formal sessions.

The new North Korean leader, dressed in a black suit and wearing a mourning armband, looked haggard in the sweltering heat of Pyongyang as he gazed at the grim-faced and weeping crowd.

The foreign minister refrained from criticising the US, in an indication that the new leadership will continue the policy of reconciliation recently pursued by the late president. The US hopes to resume talks with North Korea in Geneva at the beginning of August in an attempt to resolve the dispute over Pyongyang's nuclear programme, according to US officials.

The 75-minute ceremony, broadcast live to foreign countries, "was meant to send a message to the world that the situation in North Korea is stable and that there will be no sudden changes in policy," said Mr Michael Breen, an analyst on North Korea for Seoul-based Merit Consultancy.

Nonetheless, other analysts suggest a power struggle is looming in Pyongyang. They note that Ms Kim Song-ae, the president's widow who is believed to oppose her stepson's assumption of power, had a prominent place in the funeral services on Tuesday.

She advanced to 14th in the hierarchy at the funeral from a ranking of 104th on the state funeral committee, which was announced last week. This could indicate that her influence and that of the conservative old guard is growing.

But Mr Kim Pyong-il, her natural son and a potential rival to his stepbrother, was not mentioned as being present at the funeral.

The body of Mr Kim Il-sung is expected to be laid to rest temporarily at the presidential palace to await completion of the Kim Il-sung memorial hall, where he will go on permanent display in a glass coffin.

Meanwhile, South Korean President Kim Young-sam warned that radical students who have held mourning ceremonies for the North Korean leader will face harsh punishment.

"The government cannot continue to be so tolerant. The government will never tolerate those students who blindly follow communism and indiscriminate violence," he said.

The South Korean government has claimed that leftist radicals are fomenting student and trade union unrest on instructions from Pyongyang.

The students can be prosecuted under the national security law, which prohibits contacts with North Korea or expressions of sympathy for its government. Mr Jose Ayala-Lasso, the United Nations High Commissioner for Human Rights, yesterday criticised the law after meeting officials in Seoul.

Gatt shuts door on environmentalists

By Frances Williams in Geneva

A proposal by the US to make Gatt a more open institution was turned down by its trading partners yesterday, in a move that will give US environmental groups further ammunition in their campaign against the Uruguay Round trade accords.

Mr Booth Gardner, US ambassador to Gatt, said environmental organisations should be invited to an open meeting of Gatt's governing council to discuss a panel report condemning a US embargo on tuna imports. The embargo applies to countries deemed to kill too many dolphins in tuna fishing nets or which import from those countries.

The tuna-dolphin case has become a *cause célèbre* among US environmentalists, who see it as proof that the General Agreement on Tariffs and Trade is antipathetic to environmental concerns. Much of their indignation has centred on the secrecy of Gatt dispute settlement procedures, in which a three-person panel hears evidence from governments in private before passing judgment.

The US proposal met with almost universal opposition. The European Union said it would set a dangerous precedent for other interest groups such as farm unions, while Brazil dismissed the idea as "inappropriate, impractical and unreasonable". India, Australia, the Nordic states, Asean, Canada, Argentina, Mexico and New Zealand also expressed disagreement.

The Gatt panel report, the second to condemn the US tuna embargo, says the US breached fair trade rules in imposing a trade ban designed to force other nations to change their own domestic laws and practices, however worthy the motive.

Mr Mickey Kantor, US trade representative, said in May the US would "challenge the dispute settlement panel's failure to provide a fair hearing and due process".

However, the EU yesterday won wide support for formal endorsement of the panel ruling, on a complaint brought by Brussels after Mexico declined to press ahead with the earlier case. In a statement, Mexico said it would now consider requesting adoption of the first report at the next meeting of the council in October. Under present rules panel reports must be adopted by consensus.

Figures compiled by the Inter-American Tropical Tuna Commission show that dolphin deaths associated with tuna fishing in the eastern tropical Pacific have fallen from 133,000 in 1986 to 3,600 in 1993, compared with a dolphin population of 9.5m. The fall reflects conservation efforts by fishing nations and predates the 1990 US embargo.

Earlier, the council approved Vietnam's request for observer status - seen as a first step in the membership process - and endorsed Gatt entry terms for Slovenia.

See book review (Greening the Gatt): features pages

Modest results seen for EU's regulatory plan

By Guy de Jonquières, Business Editor

The European Union's plans to stimulate greater regulatory competition between member countries - a keystone of its single market programme - are likely to produce only modest results, according to a study*.

The study, by Stephen Woolcock, a research fellow at the London School of Economics, says this is likely to limit the application of subsidiarity - the principle, enshrined in the Maastricht Treaty, that decisions be taken at the lowest appropriate level.

The study also concludes that the approach pioneered by the EU does not offer a basis for an effective framework for global deregulation, because it requires governments to surrender a politically unacceptable degree of sovereignty.

Since the mid-1980s, the EU has sought to break down national barriers by requiring member countries to recognise one another's regulations and standards for products and services, in the belief cross-border competition would lead them gradually to converge. But the study finds little evidence that has happened so far and says important obstacles remain:

- Persistence of past national policies and practices, which prevent development of a true single market;
- Limited transparency and lack of information on the impact of national regulations and the effect of changing them;
- Inadequate enforcement of EU and national rules, which undermines mutual confidence among regulators;
- The ability of national regulators to keep standards above the agreed EU minimum level.

When national rules have converged, it has been more often due to technical discussions between experts than to cross-border competition.

"The general conclusion that appears to emerge... is that the scope for competition between rules is, in reality, fairly limited," the study says. "Those who see it as a panacea for problems of deciding between national and EC-level regulation, or as a means of avoiding having to decide on the form of European-level regulatory policies, seem likely to be disappointed."

* *The Single European Market: centralisation or competition among national rules? Royal Institute of International Affairs, £8.*

Egypt gives approval to privately run oil refinery

The Egyptian government has approved a private-sector proposal to build a large oil refinery and petrochemical plant near Suez.

A group of Egyptian and Kuwaiti investors, operating as the Sahara Company for Petroleum Products, plan to spend about $1.2bn (£769m) on the refinery, which would probably use Saudi or Kuwaiti crude and refine products for export, oil minister Hamdi el-Banbi said yesterday.

Plans to build a separate private-sector refinery of about the same size on the Mediterranean coast west of Alexandria were more advanced than those for the Suez one.

JIB advises Oresund

Jardine Construction Services, a London-based division of the international insurance broker JIB Group, has been appointed the insurance broker and risk management adviser for the $2.5bn (£1.6bn) project to build a bridge and tunnel link across the Oresund, one of Europe's biggest construction projects, writes Christopher Brown-Humes in Stockholm.

The 17km road and rail link between Malmo in Sweden and Copenhagen in Denmark was given the final go-ahead last month.

The group will be responsible for placing the construction and third party liability risks with leading international insurers before building work begins next year.

Siemens in Russia

KWU, the Siemens power engineering business, has formed a joint venture with companies of the Russian ministry of nuclear energy to engineer and market control and instrumentation systems for nuclear power plants, writes Andrew Baxter in London.

The company, A.O. Nuclear-control, will aim to improve safety and reliability of Russian nuclear plants through the use of modern control and instrumentation equipment.

The joint way to break steel bars

Michiyo Nakamoto on Japanese-American partnerships that beat the import barriers

Nippon Steel, the world's largest steelmaker, last week agreed to take a 10 per cent equity stake in New CF&I of the US, a subsidiary of Oregon Steel, and provide its subsidiary, CF&I, with the technology and facilities to manufacture head-hardened rail.

The arrangement will enable Nippon Steel to overcome the impact of the yen's sharp rise against the dollar and to deflect US anti-dumping charges while CF&I will benefit by being able to supplythe railway industry with a leading product.

The venture comes two years after CF&I joined Bethlehem Steel in bringing charges against Japanese steelmakers of dumping rail in the US and is one of six ventures by Japanese steelmakers in the US.

Through partnerships with US steel companies, Japanese producers have been enjoying thriving business in the US while the domestic market has been in the doldrums.

The US recovery and the longer term need to invest in infrastructure are expected to support continuing demand for steel products, which Japanese producers will be able to supply through their US operations without the worry of anti-dumping duties.

An example of a successful move of this type is Kobe Steel's two joint ventures in the US with USS, the largest US steelmaker.

Mr Ryuji Higashi, director of Kobe's steel sales group, expresses regret over the persistent trade friction between the US and Japan - which he blames in part on the politicians and bureaucrats - but says that between businesses on both sides, and particularly between Kobe and USX, "things are going very well".

USS/Kobe Steel is an equal partnership joint venture with USX, the parent company of USS, which produces steel bars and pipes for the automotive, petrochemical and aerospace industries.

The company has been profitable in each of its five years in operation with profits of Y190bn (£1.2bn) in the fiscal year to end-March. Its success has enabled it to finance substantial capital investments.

Pro-Tec, the second joint venture between Kobe and USX, which makes coated steel sheet for the car, electronics and construction industries, did not make a profit in its first year of operation.

But Kobe is pleased that the company, which began operations in January last year, is already running at 70 per cent capacity and turned profitable in the fourth quarter of its first year.

"Whether a joint venture succeeds depends on whether the partners can trust each other and in that sense, Kobe and USX have been a great success," says Mr Higashi.

From the start, the partnership seemed like a perfect match. At the time, USX's Lorain Works in Ohio needed equipment and technology if it was to remain competitive.

Kobe Steel needed a facility in the US and an experienced workforce to help it supply that market, including the growing number of Japanese "transplant" motor vehicle manufacturers, free from the risk of anti-dumping charges.

There are obvious differences in management style. "The culture is different, the history is different, the language is different," Mr Higashi says.

However, the two sides have been careful to respect each other's strengths and capitalise on them. On technology, for example, the US company generally heeds the advice of its Japanese partner whose technological expertise helped transform Lorain into a world class facility. Kobe leaves production matters largely to the Americans.

The partnership has also been able to take advantage of the US company's marketing skills and of Kobe's connections with Japanese companies which have set up manufacturing operations in the US.

Kobe is also pleased that it is able to avoid the worst impact of the yen's recent rise against the dollar. If the company had still been exporting coated steel sheet to the US, for example, the yen's rise would have meant loss of the business, Mr Higashi says.

Kobe's US experience will provide useful lessons as the company faces pressure to look outside Japan for future growth.

Given the long history and pride of the European steel industry, Europe is unlikely to provide opportunities for similar ventures. But Mr Higashi believes that eventually the company will have to consider manufacturing elsewhere in Asia to supply the growing south-east Asian and Chinese markets.

"One day we will no longer be able to export to these regions," Mr Higashi says.

Although setting up manufacturing facilities overseas is a risky move for capital intensive steel companies, and there are no large steel companies such as USX in the region to smooth the process, Kobe's happy experience with its American partner bodes well for such ventures in Asia.

Japanese steelmakers plan to by-pass a Chinese government agency and export 5,000 tonnes of steel directly to two Chinese companies next month, agencies report from Tokyo.

The emergency measure follows the collapse of bilateral talks on prices and export levels, Kawasaki Steel said. It said the exports involved hot-rolled steel plate produced by Kawasaki and five other blast furnace operators, adding that prices would be about $20 a tonne higher than in the first six months of this year. The other five companies are Nippon Steel, NKK, Sumitomo Metal Industries, Kobe Steel and Nisshin Steel.

Row mars birth of Caribbean trade bloc

By Canute James in Kingston

Ministers and officials from Caribbean Community (Caricom) countries have spent this week solving a dispute which threatened to overshadow next week's formal establishment of the new Association of Caribbean States trade bloc.

A diplomatic shuttle was needed to persuade President Rafael Caldera of Venezuela to attend Sunday's signing ceremony. Venezuela had considered recalling its diplomats from Caricom before a hurried visit to Caracas by Caricom officials resolved the problem.

Venezuela's displeasure arises from a letter sent by Caricom leaders to former Venezuelan President Carlos Andrés Pérez, who is in prison awaiting trial on corruption charges. In his two terms in office, Mr Pérez promoted closer ties with Caricom and the letter expressed "profound appreciation" for his contribution to "the development of democracy and economic advancement in the hemisphere".

Mr Caldera's administration interpreted the letter as interference in his country's domestic affairs.

Caricom quickly sent the fence-mending mission to secure the participation of one of the more important members in the new trade group.

With Venezuela mollified, attention is now on the start of the new economic group of 25 countries, with about 15 dependent territories to be offered associate membership.

The 13 Caricom members (English-speaking countries including Belize in Central America and Guyana in South America) will be joined in the ACS by the Group of Three (Colombia, Mexico and Venezuela), the countries of Central America, Cuba, the Dominican Republic, Haiti and Surinam. Haiti's seat will be offered to the government in exile.

"The signing of the convention creating the ACS will launch new opportunities for the pursuit of collective initiatives by 40 states, countries and territories, comprising some 200m people, united by the waters of the Caribbean," the Caricom secretariat said.

The aims of the new group include the expansion of trade among its members and an increase in the level of functional co-operation in several sectors, including energy, sea-bed mining, agricultural and industrial development, transport and communication.

The ACS will take a common approach in international trade negotiations, such as with the European Union and with the members of Nafta. It will be involved in the negotiations of "preferential arrangements for trade in goods and, pending the outcome of the Uruguay Round negotiations, in services as well", according to Caricom.

The row between Caricom and Venezuela was an early hurdle for the ACS to clear. The involvement of Cuba may prove less easy to resolve.

Cuba sees the new trade group as a possible opportunity of escaping from its economic morass. Mr Roberto Robaina, Cuba's foreign minister, says his country is seeking regional co-operation in tourism, and to expand its market for a range of goods and services.

US concern at Cuba's inclusion has already meant the loss of some associate members. Puerto Rico and the US Virgin Islands, both US territories, will not join the ACS.

Du Pont plans growth in India by joint ventures

By Shiraz Sidhva in New Delhi

Du Pont, the US chemicals company, is holding talks with Indian partners to set up five separate ventures in core sectors such as agrochemicals, engineering polymers, pigments, automotive safety products and nylon and Teflon.

Du Pont plans to expand into the Indian market through its subsidiaries and branded products, a departure from its current emphasis on selling advanced technology to Indian companies such as Reliance, India's largest private sector company.

Du Pont Far East, through which the US conglomerate operates in India, has two Indian joint venture partners, the Delhi-based Thapar group and the Madras-based TVS group.

It may collaborate with both in engineering polymers for the power and telecom industries, white pigments, nylon for tyres, and tyre-dipping facilities, Tynex nylon for toothbrushes and health-care products, agrochemicals for crop protection, and polyester for textiles and imaging films.

The subsidiary will entrust the marketing of its nylon products to the Thapar group, its joint venture partner for a nylon plant in Goa. Several new projects are also being discussed with the TVS group, which is producing Tynex bristles for toothbrushes.

The company is exploring the possibility of setting up wholly owned subsidiaries, and would prefer to hold a majority stake and operational control. "But we will go ahead even without a dominant equity-holding, if we find the right partner," a spokesman said.

The multinational is negotiating with Reliance to manufacture Dacron, a specialised polyester staple fibre (PSF). The Indian petrochemicals conglomerate hopes to become one of Asia's top five PSF producers in Asia after its new 160,000 plant at Hazira in Gujarat goes into production by late 1996.

Analysts expect the Indian PSF market to grow by 20 per cent by 1997, because of cotton and viscose price increases.

CONTRACTS & TENDERS

PETROBRAS
PETRÓLEO BRASILEIRO S.A.

INTERNATIONAL COMPETITIVE BIDDING NOTICES

BIDDING NOTICE N° 874-81-0002/93

Petróleo Brasileiro S.A. - PETROBRÁS informs that the deadline for bid submission has been postponed to August 09, 1994. The address and time stablished in the bidding notice remain unaltered.

BIDDING NOTICE N° 874-81-0007/93

Petróleo Brasileiro S.A. - PETROBRÁS informs that the deadline for bid submission has been postponed to August 04, 1994. The address and time stablished in the bidding notice remain unaltered.

BIDDING NOTICE N° 874-81-0018/93

Petróleo Brasileiro S.A. - PETROBRÁS informs that the deadline for bid submission has been postponed to August 11, 1994. The address and time stablished in the bidding notice remain unaltered.

BIDDING NOTICE N° 874-81-0024/94

Petróleo Brasileiro S.A. - PETROBRÁS informs that the deadline for bid submission has been postponed to August 02, 1994. The time stablished in the bidding notice remain unaltered. (Address: Av. República do Chile, 65 - Rooms A and B - 1st Floor - Rio de Janeiro).

BIDDING COMMITTEE

CONTRACTS & TENDERS

TELECOM ARGENTINA

Contract to tender for

EXTERNAL PLANT WORKS

OCT 94 TO SEP 96

BID NR: 20.127/94

Deadline: August 8, 1994.

Offer delivery in Maipu 1210, 7th floor Buenos Aires-Argentina.

Bidding conditions and specifications: in the same place (consults. Bidding Conditions sale.)

In advance, bidders must buy the tender's conditions (US$ 3000, not refundable): and be registered in the Contractors Register of TELECOM ARGENTINA.

FAX: 54 1 968 3252

British Chambers of Commerce survey indicates recruitment difficulties worst since 1990

Recovery faces supply-side constraints

By Peter Norman and Gillian Tett

UK companies experianced growing difficulties recruiting staff in the second quarter of this year, providing a first indication that Britain's economic recovery might be running into supply-side constraints.

In an otherwise upbeat survey of nearly 8,000 UK manufacturing and service companies, the Association of British Chambers of Commerce, found that recruitment difficulties were at their highest level since late 1990.

The difference between manufacturers raporting ataff increases and those reporting cuts was a positive 11 per cent, up from 0 per cent in March, the survey said.

The proportion among the service sector was a positive balance of 12 per cent, with a balance of 17 per cent expecting to increase staff in the next three months.

But 45 per cent of manufacturing companies and 44 per cent of service sector businesses reported recruitment difficulties, the survey showed. This was the largest proportion reporting recruitment difficulties since 1990.

The survey, which covers 7,935 companies in services and manufacturing, showed that companies were now reporting moderate growth.

The chambers' findings were released today after official retail sales and bank and building society lending figures yesterday provided further evidence that the economy was growing steadily and shrugging off April's tax increases.

City economists suggested that yesterday's news of a 1 per cent seasonally adjusted increase in retail sales volumes between this year's first and second quarters and a surprise £2.9bn increase in bank and building society lending last month was consistent with bank base rates being held at 5.25 per cent for a few months yet. However, some predicted higher base rates.

The publication yesterday of the minutes of the June 8 meeting between Mr Eddie George, the Bank of England governor, and Mr Kenneth Clarke, the chancellor, showed that the Bank was advocating a pre-emptive rise in interest rates if stronger growth or increased costs threaten price stability in the years ahead.

Data released yesterday suggested that British families and manufacturing companies were developing an increased appetite for credit last month.

- New mortgage lending by UK building societies rose sharply in June to reach its highest levels for almost two years. There was also an increase in net new commitments made by societies to £3.58bn from £3.29bn in May.

Last month's 0.5 per cent increase in so-called M4 lending compared with May, brought the seasonally adjusted increase in bank and building society lending to private-sector UK residents to £21.7bn in the year to the end of June. Last month's lending was 3.5 per cent up on the level of June last year.

The Bank said its provisional figures for lending were broadly consistent with seasonally adjusted statistics from the British Bankers' Association, published yesterday.

- Britain's nine biggest banking groups increased their new lending for consumption substantially last month. The £218m seasonally adjusted rise in consumer lending by the banks was the biggest since December 1990 and reflected a £179m jump in credit card borrowings.
- Manufacturers increased their borrowing from the banks by £162m in June after several months of repaying debt.

Reshuffle marked by calculation over glitz

By Philip Stephens, Political Editor

Reshuffles are like Budgets. The cleverer they look on the day the more chance they will unravel once the novelty wears off. So perhaps Mr John Major should be applauded for eschewing anything that might be termed glitz.

His mid-term shake-up did include one significant gamble – the elevation of the untested Mr Jeremy Hanley to the party chairmanship. Mr Major was tough enough to sack Mr John Patten from the education department and to let go three other cabinet ministers.

He took also the longstanding advice of friends and replaced Mr Graham Bright as his parliamentary private secretary with the nonesdecsript but safe Mr John Ward.

But overall it was a play-it-safe reshuffle rather than a dramatic restructuring of the cabinet team that will face Mr Tony Blair's Labour party in the second half of the present parliament.

It left the clear impression Mr Major has given himself room for another, albeit smaller, shake-up before the general election due by mid-1997. Mr Malcolm Rifkind, who stays for now at defence, looks like a foreign-secretary-in-waiting.

On one level the prime minister's hands were tied. Mr Kenneth Clarke was never likely to move from the Treasury. Mr Douglas Hurd, a pillar of stability in the cabinet, was needed at the foreign office for at least another year to prepare for the European Union's intergovernmental conference.

Moving Mr Michael Howard from the home office or Mr Michael Heseltine from trade and industry would have created too many waves.

But even within those constraints Mr Major once again preferred careful calculation over showmanship. The various moves upwards, downwards and sideways were all designed to preserve a balance.

Overall Tory MPs detected a slight shift to the right – but not by anything like enough to persuade them the recent rightwards shift in his rhetoric signalled Mr Major had truly become "One of us".

Thus Mr Michael Portillo's promotion to employment. The Tory right was assured their standard bearer would retain an influence on economic policy. Mr Portillo will work closely with Mr Peter Lilley, his Thatcherite ally at social security, to introduce the tough new Jobseekers' allowance for the unemployed. He will be ideally placed also to indulge his distaste for Brussels by opposing further social legislation.

On the other hand employment is the most junior of the economic posts: the centre-left will be told Mr Portillo can be reined in when necessary by Mr Clarke and Mr Heseltine.

Mr Jonathan Aitken's move into the chief secretary's slot bore the same hallmark. Meanwhile Mr Stephen Dorrell, the darling of the One-Nation left, won his much deserved elevation to the cabinet. But his new position is sufficiently uncontroversial not to enrage the right.

Other moves have a wider political objective. Mrs Gillian Shephard's promotion to education is designed to restore some common sense to the government's approach. After six years of upheaval the promise now is of a period of consolidation and bridge-building both with teachers and with local authorities.

Mrs Shephard would never claim to be a great innovator but her experience as a teacher and local authority education officer has left her far more in touch than her predecessor with the preoccupations of parents.

Elsewhere Mr Major rewarded competence. Mr William Waldegrave's move to agriculture was widely seen as a good decision. So too was the the choice of Sir George Young as financial secretary to the Treasury, the post generally seen as a waiting room for the cabinet. Mr Brian Mawhinney's promotion to transport was an appropriate reward for loyalty and hard work.

Mr Hanley's appointment was the principle puzzle. In one respect it rellects the continuing influence of Mr Chris Patten, the now distant governor of Hong Kong and party chairman at the last election. Mr Hanley was his protege.

The message from 10 Downing Street last night was that the reshuffle must be seen as a package: that taken together the changes at all levels might not be flashy but would stand the test of time. Perhaps.

THE NEW LOOK OF BRITAIN'S CABINET

Prime Minister:	John Major
Lord Chancellor:	Lord Mackay of Clashfern
Foreign Secretary:	Douglas Hurd
Chancellor of the Exchequer:	Kenneth Clarke
Home Secretary:	Michael Howard
President of the Board of Trade:	Michael Heseltine
Defence Secretary:	Malcolm Rifkind
Lord President of the Council:	Tony Newton
Environment:	John Gummer
Education:	Gillian Shephard (formerly John Patten)
Chancellor of the Duchy of Lancaster:	David Hunt (formerly William Waldegrave)
Social Security:	Peter Lilley
Agriculture:	William Waldegrave (Gillian Shepherd)
Scottish Secretary:	Ian Lang
Northern Ireland Secretary:	Sir Patrick Mayhew
Health:	Virginia Bottomley
Employment:	Michael Portillo (David Hunt)
Welsh Secretary:	John Redwood
Transport:	Dr Brian Mawhinney (John MacGregor)
National Heritage:	Stephen Dorrell (Peter Brooke)
Lord Privy Seal:	Viscount Cranborne (Lord Wakeham)
Treasury Chief Secretary:	Jonathan Aitken (Michael Portillo)
Tory party chairman:	Jeremy Hanley (Sir Norman Fowler)

Jeremy Hanley, the new Tory party chairman (left), Gillian Shepherd, who moves from Agriculture to Education (centre), and Brian Mawhinney, who takes over as Transport secretary, following yesterday's government resbuffle PA

London's position 'under threat'

John Gapper, Banking Editor

London's position as an international banking centre could be undermined by protectionist EU legislation, or by the adoption of common banking snpervisory standards around the world, according to research published yesterday.

A study of London's position compared with other financial centres such as New York and Frankfurt conclndes that it could be damaged by increased regulation of the underwriting and trading of securities and financial derivatives.

Professor Harold Rose of London Business School says that London's share of cross-border bank lending fell from 18 per cent in the mid-1980s to under 14 per cent of a much bigher world total, largely dne to the rise in importance of Asian centres.

However, be argues that the chief competitive threats to London as a banking centre are the liberalisation of markets abroad and the changes in supervision which weakend London's previous advantage of light regulation.

He says that the risk-weightings used in the Basle accord to calculate the capital banks sbould apply to loans could affect Londoo disproportiooately because they do not take account of the lower risk of international lending.

Professor Rose argues that London's position as the leading foreign exchange centre is likely to be reinforced by EMU.

Losses of trading among European currencies would be offset by European Currency Unit trading. However, Professor Rose says that EMU could lead to business switcbing from London to Frankfurt.

Belfast Airport sold in management buy-out

By Our Belfast Correspondent

Belfast International Airport, Ulster, is to be sold to its 300 management and staff, the government announced yesterday.

The news surprised many observers who felt that the bid was the least likely to succeed.

The management-employee buy-out (MEBO) team defeated three rival bidders on the short list with a bid of £32.75m which together with the company's cash reserves of £15.15m will boost Treasury coffers hy £47.9m.

Belfast International airport has undergone a £25m development programme over the last five years and now boasts some of the best regional airport facilities in the UK.

Unsuccessful contenders included an Airports Europe Group led by Mr Paul McWilliams, chairman of Ulster's Local Enterprise Development Unit whose partners included Amsterdam'a Schiphol airport.

The others were a high-profile group led by Industrial Development Board chairman Mr John McGuckian and backed by TBF Thompson and the Northern Bank and the Ulster Investment Bank whose bid was supported by City financial institutions.

The completion of the sell-off means Northern Ireland's two main airports are now in private hands.

The Belfast Harbour Airport near the city centre is owned by Sborts-Bombardier, the Canadian transportation group.

Both eirports have been involved in heavy competition on domestic routes and that rivalry is likely to intensify.

- Birmingham International Airport, the fifth largest in the UK, yesterday unveiled an expansion programme whicb will cost £400m over the next 10 years and will involve the private sector taking a majority interest in the ownership, Paul Cheeseright writes.

The airport's local authority owners - seven local councils - are prepared to give up at least 51 per cent of their equity to attract private capital, said Mr Fred Hunt, chairman of the airport company. Private sector control will give the airport greater financial flexibility. Its borrowing, seen by the Treasury as part of the public sector borrowing requirement, is at present subject to government constraints.

CMN seeks MoD pledge on work

By Chris Tighe in Newcastle

The French-based company which is the only prospective bidder for Swan Hunter, the Tyneside shipbuilder facing closure, said yesterday it would only go ahead with a deal if the British government guaranteed the yard two years base workload.

Soffia, parent company of Cherbourg patrol boat builder Constructions Mecaniques de Normandie, said it had not ruled out buying Swan Hunter from the receiver despite Tuesday's news that Swans has not won the Sir Bedivere landing ship refit, on which CMN'a original, now aborted, proposed deal was conditional.

But Mr Fred Henderson, leader of CMN'a bid team for Swans, said it needed a clear indication from tbe British government it wished to see Swan Hunter survive.

"If Swan Hunter is to survive the MoD must guarantee a base workload for two years."

The MoD said yesterday its policy was always to place orders in terms of best value for money. "It's been continually the policy that work is not directed to specific shipyards."

Yeaterday Swan Hunter union leaders met Mr Iskandar Safa, Soffia's senior director, in Paris. Afterwards, Mr Safa called for a "partnership" involving Soffia/CMN, the unions, the MoD, receiver Price Waterhouse and Swans' major creditor, Lloyds Bank, to find a solution. CMN bopes to meet MoD ministers urgently; the offer of Olwen must be finalised by August 1.

Britain in brief

Task force to tackle trade gap

An industry task force to reduce Britain's £1.44bn trade deficit in building materials was launched yesterday by some of the country's biggest contractors, property developers and consultants.

The initiative was supported by the Environment Department which has seconded a senior civil, Mr Malcolm Dodds, to be director of the new Construction Procurement Group.

Its aim is to work closely with building material and component producers to increase the competitiveness of UK construction products in domestic and export markets.

Members include chairmen of leading contractors, Amec, Bovis, Join Laing and Tarmac and Taylor Woodrow as well as senior directors from property developers MEPC, Land Securities, Stanhope Properties and Greycoat.

Tour company ceases trading

A tour operator specialising in city breaks to continental Europe has ceased trading.

Regent Travel Services Ltd, of North Kensington, west London, also trading as Citytraveller, was authorised by its Air Travel Organiser's Licence to carry 3,805 passengers a year, the Civil Aviation Authority said.

Passengers currently abroad would be able to continue their holidays and travel bome as planned but there would be no further outbound flights after midnight tonight.

Anyone due to fly out after this date, irrespective of whether they were bolding air tickets, would not be able to travel. The CAA said forms would be sent out so people could claim refunds.

The company was also a member of the Association of British Travel Agents and an ABTA spokesman said people travelling by means other than air should contact them.

Drugs reform urged by MPs

A complete overbaul of decision-making for drugs spending by the National Health Service has been proposed by the Commons health committee.

In a report the committee called for more appropriate prescribing of medicines. It was the first time parliament has become involved in clinical decisions.

The most radical proposal was the creation of a national prescribing list. This would be n list of all drugs which would be reimbursed by the NHS.

At that time, each drug would be subject to a scientific review. Those found less effective than existing therapies, or more expensive with no additional therapeutic value would be excluded from the prescribing list.

This process would effectively create a so-called "fourth burdle" for medicines.

More wind farms sought

More wind farms should be allowed in Wales, the Commons Welsh affairs committee said.

"Within the framework of a robust, appropriate and locally accountable planning system," the MPs said. "We see no objection to the continuing development of wind farms in Wales, subject to their environmental acceptability."

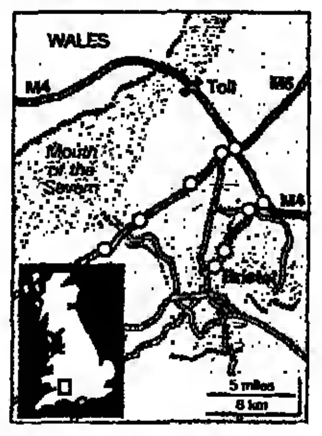
The committee's support comes at a time when there has been increasing opposition to the turbines on grounds of visual intrusion, noise and lack of economic justification.

"We believe that concerns over visual impact are the most deep-seated and firmly held objections to the development of wind energy," the committee said. There should be "the strongest presumption" against turbines in national parks, areas of outstanding natural beauty and sites of great landscape value.

High tolls divert cars

High tolls on the Severn bridge between England and Wales are causing about 1,500 vehicles a day to divert to other routes, a Highways Agency report has found.

The study was set up to investigate complaints of greatly increased truck traffic on local routes through Gloucestershire to Wales. The one-way toll is £10.10p for n beavy goods vehicle. Revenue from the bridge is paying for the construction by Laing-GTM of the second



Severn crossing, due to open in 1996.

The report claims that the tolls are "not a significant factor" in increasing traffic on other routes, but that factors such as congestion play a bigger part. It says the problem should be eased when the second bridge opens.

Mr Robert Key, minister for roads and traffic, said the report showed about 2,700 more vehicles a day than might be expected, after allowing for traffic growth, were travelling west through Gloucestershire. He said: "Only 1,500 of these can be positively identified as avoiding bridge tolls."

British Library 'a shambles'

The construction of the new British Library in central London has degenerated into a shambles, a committee of MPs says in a hard-hitting report on the project.

The cross-party Commons National Heritage committee says that more than 16 years after the new building was started, no-one has any idea when it will be completed or open or how much it will cost.

The committee calls for a public inquiry into the project to establish whether there has been maladministration and incompetence in its design and construction.

3% pay rise for police

The 120,000 police officers in England and Wales will get a pay rise of 3 per cent from September under a new pay formula recommended in the Sheehy report on police reorganisation. The rise is at the top end of public sector groups but lower than the 3.75 per cent that the police officers would have received under their old pay formula.

Smog message fails to hit home

The government is considering its air pollution approach says **William Lewis**

Mr Tim Brown, an official of Britain's National Society for Clean Air, apent the first weekend in July having a barbecue, painting his house and driving his car. He had no idea that all three activities put him in direct conflict with the government's emergency recommendations to combat smog.

The UK Department of the Environment issued its first summer-time alert following a beavy build-up of amog. Mr Robert Atkins, Minister of State for the Environment, asked people to use their cars only if they had to and not to use solvent-based paints.

Hot weather had caused a rise in levels of nitrogen dioxide, sulpbur dioxide and ground level ozone - pollutants formed mainly from vehicle emissions, which cause breathing difficulties, and forced ozone levels up to 80 per cent more than acceptable levels.

Mr Brown believes that his own ignorance of the warning was repeated country-wide. "Media coverage was patchy and I'm sure that most people were just like me and had no idea about it so they just carried on as normal," be said.

Criticism about the effectiveness of government warnings in the UK comes as the European Commissioo bas suggested increasing the number of air pollutants that the public should be warned of if limits are breached.

A draft directive asking member states to reduce air pollutants to safe levels within 15 years was approved by the Commission earlier this month and is now awaiting approval by ministers. Up to 14 air pollutants would be covered including sulphur, nitrogen dioxide and carbon monoxide. Warnings about excessive levels of ground-level ozone are already covered by an existing EU directive.

The commission is also seeking a common method for measuring pollution.

Britain's DoE, which issued a second summer smog warning last week, is now carrying out research into the public's response. It supports the principle of greater disclosure as do most eovironmeotal pressure groups. While there are differences ovsr the number, location and funding of pollution monitoring units all sides agree on the necessity of warning the public. "We are all for widening public awareness," an DoE official said.

However environmental experts point out tbat more widespread public warnings are likely to increase expectations that action will be taken to reduce air pollutant levels.

"You cannot tell people that the air is unhealthy today and not show that you are doing something about it," said one of the government's environmeotal advisers.

This principle is recognised in the Commission's directive. It suggests that governments be required to take emergency measures – such as the closure of factories and power stations – once limits are breached.

The DoE, in a recent consultation paper, indicates that it favours intervention only as an extreme measure. Emergency intervention measures "would be justifiable only where it was clear that the benefits outweighed the costs," the consultation paper states.

London's cloud problem is repeated worldwide

By Stephen McGookin

London is not the only city where the level of air pollntion is contribnting to a bealth problem and where efforts are being made to rednce the level of harmful emissions.

Britain's Labour opposition bas charged that tbe government's transport policy was at the heart of the problem, particularly motor vehicles without catalytic converters, whicb strip out harmful gases.

Since January 1993, converters have been compulsory on all new cars – nearly two decades after the US took the same step. Bnt converters cannot be fitted to older cars, and curreotly only aboot 15 per cent of UK vebicles have them.

Mr Klaus Topfer, Germany's enviroomeut minister, said this month tbat his country would take its own steps to reduce the level of benzene in petrol unless the EU could find a solution. Benzene makes np around 2.5 per cent of petrol and contribntes to the creation of summer smog.

In southern Germany last month, the Badeu-Wurttemburg region around Stuttgart, where abont 150,000 people live, claimed some success with a four-day experiment to reduce ozone build-up. A local speed limit of 60 km per hour (35 mph) was introdnced and industry imposed voluntary cootrols on output of smoke and waste products.

In Greece, where the pollnted atmosphere in Athens is damaging some of the nation's architectnral treasnres, the environment ministry bas introduced staggered working hours in the capital until the end of August and has laid on extra buses in an effort to reduce the nnmber of rush-hour cars coming into the city.

The US Environmental Protection Agency, in an effort to cut ozone levels, bas asked petrol companies to voluntarily sell lower vapour pressure gasoline, which evaporates less and creates less ozone.

Detroit, Micbigan – traditionally the bome of the US automobile industry – has launched a "smogbusting" campaign, involving both business and individuals, aimed at reducing ozone levels.

California, wbich has the natioo's poorest air quality, is aiming to reduce emissions by 75 per cent by the year 2010.

MANAGEMENT: MARKETING AND ADVERTISING

FT writers on the business of sport and its value to companies

Game of sponsorship

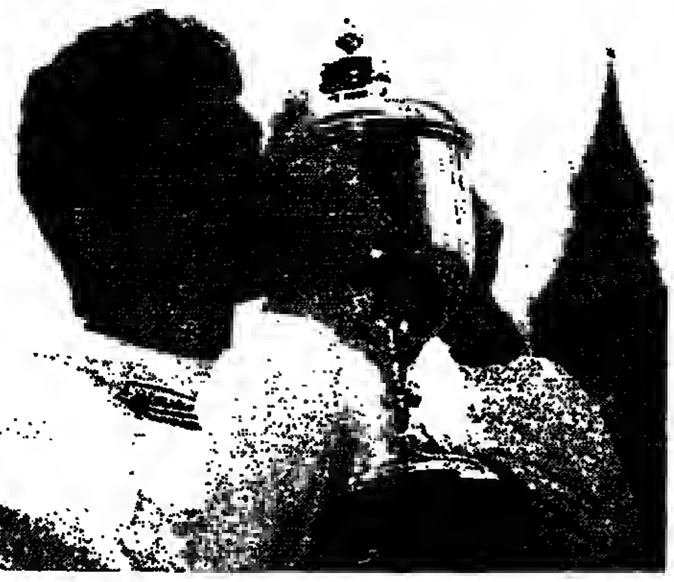
Sport is not just a game. It is a busioess. Anyone wbo doubts this need only consider the sponsorship contract signed this week between Mercury Asset Management, the UK's biggest fuod management group, and cricketer Brian Lara.

The sponsorship deal, valued by Lara's agent at £500,000 – but which MAM insists is actually £100,000 – illustrates the value which a financial services firm, wbose products have nothing to do with cricket, places on sport.

Among financial services companies MAM, which is considering further sports sponsorship deals aimed at encouraging junior competitors in a wide variety of sports, is hardly alone. National Westminster Bank, sponsors since 1981 of the one-day NatWest Cricket Trophy, spent £450,000 on sports-related promotion last year. Scottish Provident signed a contract worth £600,000 with ITV to sponsor the last British Lions rugby tour. Cornhill Insurance sponsors a cricket series and Britannic Assurance sponsors county cricket championships. London Global Securities, which specialises in international securities lending, sponsored Eamonn Martin, winner of the 1993 London Marathon.

In the UK, according to Mintel, the market research group, corporate sponsorship covers a range of sports from swimming to darts. Sports sponsorship deals in 1993 were valued at £242m and is forecast to grow to £250m this year.

But what does an advertiser gain from sports sponsorship, particularly when the product is unrelated to sport?



Press Association

Running on sponsorship: Eamonn Martin, winner of the 1993 London Marathon

MAM said this week that it wisbes to draw a connection between the excellence at sport demonstrated by Lara – who holds two world cricket batting records – with its fund management skills.

Significantly, the Mintel research showed that four of the eight leading corporate sponsors of cricket to 1993 were in the financial services industry. Among so-called AB television viewers whose incomes and educational levels are the highest in the country, cricket ranked number five of all sports watched, with 31.7 per cent of that socio-economic group choosing to watch it.

Mike Bloxham, director of The Bloxham Group, a company which helps corporate clients devise long-term sponsorship strategies, says that sport may be a way for a financial services firm to reacb a much broader audience than other forms of advertising.

"People who could be buyers of their products may not encounter their name in everyday life. It's not like Heinz," be says. For a company such as MAM, which opted for individual sportsman sponsorsbip instead of team or event sponsorship, there can be a specific marketing goal. "One approach to sponsoring individuals is that they can be seen to encapsulate certain values with which the sponsor wishes to associate himself."

The downside with individual sportsman sponsorship, he says, is that "you cannot legislate for aspects of an individual's bebaviour". Sportsmeo and women periodically engage in activities which corporate sponsors feel will tarnisb their brand image. "O.J. Simpson is no longer a good person to be associated with," Bloxham said.

Martin Loat, a spokesman for ITV's sponsorship arrangements, notes that there is also a "chairman" factor in selecting individuals for sponsorship. "It may also be a chairman's wife factor," he says.

Moreover, sponsorship allows companies to offer corporate hospitality to their clients and contacts, an aim which ranks high in NatWest's decision to sponsor the one-day cricket matches. Sponsoring an individual may allow a company to introduce him personally to clieots, an experience likely to reinforce warm feelings about the sponsor.

And, for a firm such as MAM, sponsorship means the opportunity for Lara to doo a MAM cap immediately after leaving the field of triumph, just in time to be interviewed on national television.

Norma Cohen

Hospitality joins the fast track

The popularity of corporate hospitality or employee motivation evenings in the form of "arrive and drive" go-kart racing has inspired dozens of circuits catering for the activity throughout Europe.

The concept is poised to be lifted on to an altogether higher plateau – with 200 borsepower Alfa Romeo 155 saloons of similar appearance, if not quite the performance, of the bright red Alfa Romeos currently leading the British Touring Car Championship.

Companies, or even wealthy individual drivers, will rent every car competing in the "Pro-Series" Alfa 155 championship planned for the 1995 motor racing season.

The championship departs from conventional motor sport concepts in that sponsoring companies and their drivers can expect to complete a full championship season at a fixed cost, with the onus on providing raceworthy cars for each round switched to the actual operator of the championship.

The veoture operators, Graham Hathaway Racing and entrepreneur and rallycross driver Peter Earnshaw, will retain full ownership of the cars; repair, maintain and take them to and from the circuit, and provide the hospitality facilities for participating companies to entertain their guests.

Pioneered in North America in the Zerex Saab championship, the concept is intended to eliminate ooe of the biggest disincentives to all commercial motor sport sponsorship, spending spiralling out of control as competitors seek technical advantage over rivals.

Motor sport is an expensive activity, with even a single-car budget for a modest "one-make" championship likely to approach £50,000 for a season. It is also notorious for its disillusioned sponsors. Many companies vow never to involve themselves again wben confronted with a choice between injecting extra funds part way through a season or their team's withdrawal and the collapse of the sponsorship venture.

Earnshaw, who is currently negotiating approval and administration of the series with the British Automobile Racing Club and motor sport authorities, says that companies not wanting to back a single car will instead be able to join a small pool of sponsors whose branding will be carried on every competing car throughout the dozen or so races which will make up the championship.

The concept is about offering a financially predictable, rather than necessarily cheaper, entree into motor sport. Costs have not been finalised but several thousand pounds per race is certain.

John Griffiths

BHS beach parties staged in store show the latest fashions

A revamped BHS hopes to excite shoppers, writes **Diane Summers**

From neutral to higher gear

Not enough people get np in the morning and think "I must go to BHS". That is the problem Helena Packshaw, marketing director of the British retailer, faces as she attempts to transform the chain into a "destination" store, rather than somewbere shoppers just drift in to from the high street.

The BHS brand, says Packshaw, is "too neutral". Christopher Satterthwaite, from BHS's advertising agency Howell Henry Chaldecott Lury, puts it more bluntly: "Reality and perception are not matching now. It's better than you expected when you go in the store."

The first evidence of a vast brand-building exercise aimed at remedying this situation is about to hit the television screens as BHS starts to advertise for the first time in about five years. The logo has also been revamped and, from next year, the shop interiors will also begin to look different.

The moves are part of the restructuring and recovery of the Storehouse gronp, of which BHS is part. The last three or four years have been spent developing a young, energetic organisation, and defining the store's "value proposition" says Packshaw.

The three parts of this proposition, central to the way the brand is promoted, are: "fashion-moderate" products, which are up-to-date hot mainstream, rather than at the cutting-edge of fashion; consistent and appropriate quality; and low prices attractive to mothers on tight hndgets, who form by far the largest group among BHS's customers.

The TV advertising, which starts in early Angust, will use real people at specially-staged "happenings" in BHS stores around the country. In a new piece of advertising jargon which, one suspects, will not catch on, Satterthwaite hails the campaign as "Fresh TV". There will be just a few days' gap between filming and screening, and a new ad will be made abont every two weeks.

Pilot advertisements were shot in Watford last mooth. Over one day, five "beach parties" were staged in BHS stores in the town. Members of the pnhlic were stopped on the street, invited to join the parties and to take part in catwalk shows featuring BHS clothing. The linkman, a young black actor called Sylvester, is the only professional to appear in the ads.

Out of this unscripted filming, a 60-second commercial is distilled. There is a deliberately "home movie" feel, with black and white video until the point when the BHS products are featured, when the film moves into colour.

The overall effect is lively and loud, with Sylvester as a slightly nervous parody of the male in the traditional soap powder advertisements.

The format will be adapted to show different seasons' clothes and could also be extended to other BHS lines, for example its lighting. The first place to get the treatment will be Gateshead's giant shopping centre, the MetroCentre.

The idea of the in-store "event" will be used to drive local publicity and as a general promotional tool, and will be extended to shops which are not featured in the TV commercials. The intention is that customers should be able to go to the stores and immediately locate the merchandise featured on television.

The new logo is, says Packshaw, a "more feminine, more fluid" version of the existing ooe, which is "OK but doesn't give her [the customer] the feeling of excitement or energy" that BHS is keen should be associated with the brand.

Do not expect to see the new logo on high-street sbop fronts for some time. The 122 fascias will be replaced as stores are refurbished. In any case, Packshaw believes that customers know where their local BHS store is and so rarely look np at the sign.

Instead, the company is concentrating on getting the new logo on to carrier bags, inside the stores for displays, and on to labels.

The final piece in the jigsaw is a revamp of the store interiors which, Packshaw says, will show merchandising off to greater effect and "allow it to breathe". The new look is being unveiled in the Cambridge store next year.

As far as the entire strategy is concerned, Packsbaw will want to see concrete evidence of success. The shops currently show £200-£220 revenue per square foot, compared with abont £400 at Marks and Spencer, she says.

Although no one is expecting sales densities to double overnight, there will have to be an appreciable narrowing of this gap.

Apart from sales, there will also be longer-term measurement of perceptions of the brand, for the campaign "is also about elevating the brand in the minds of people to whom it might be neutral".

TECHNOLOGY

Hugh Aldersey-Williams on the potential of independent projects

Inventors with time to think

Corporate research is excellent at bringing incremental improvements to technology that is already available, but it is far less good at coming up with bright ideas that could lead directly to entirely new products. And when it does the final connection may not be made.

It was, for instance, Xerox Corporation's Palo Alto Research Centre in California that did much of the work leading to intuitive interaction with computers based on using visual icons on the screen. Seeing itself as a copier company, however, Xerox did not reap the benefit of the ideas embodied in the prototype "Star workstation". Apple Computer's Steve Jobs did.

To overcome this kind of mental block, David Liddle, formerly of Xerox Corporation, and Paul Allen, one of the founders of Microsoft, have set up Interval Research, which aims to explore new ways that we might interact with technology.

They dislike being labelled a thinktank. "We are inventors, not writers of papers," says Bill Verplank, a researcher at the company who worked on the Star workstation. Interval Research, of Palo Alto, has a foundation investment of $100m (£67m) to fund it over five years.

This provides breathing space – the "interval" – to embark on projects that are not beholden to any particular manufacturer or type of product. "A lot of the computer companies are so tied up in doing incremental product design, that it is difficult to stand back and say, well, 'what's the next great thing to do?'," says research fellow Colin Burns.

Interval Research aims to profit from its inventions by selling its ideas or by spinning off small, start-up companies to pursue them further.

In London, Liddle has arranged the five-year sponsorship of a research design studio at the Royal College of Art. The £2.5m programme will allow Interval researchers to participate in design projects at the college and students to work in California. The RCA is the first design school Interval has worked with.

"They are interested in the different take that designers have from engineers," says Gillian Crampton-Smith, professor of computer-related design at the RCA. The other aim of the liaison is to encourage involvement from British and European companies. The RCA already has links with companies such as BT, Logica and Philips, which are likely to take an active role.

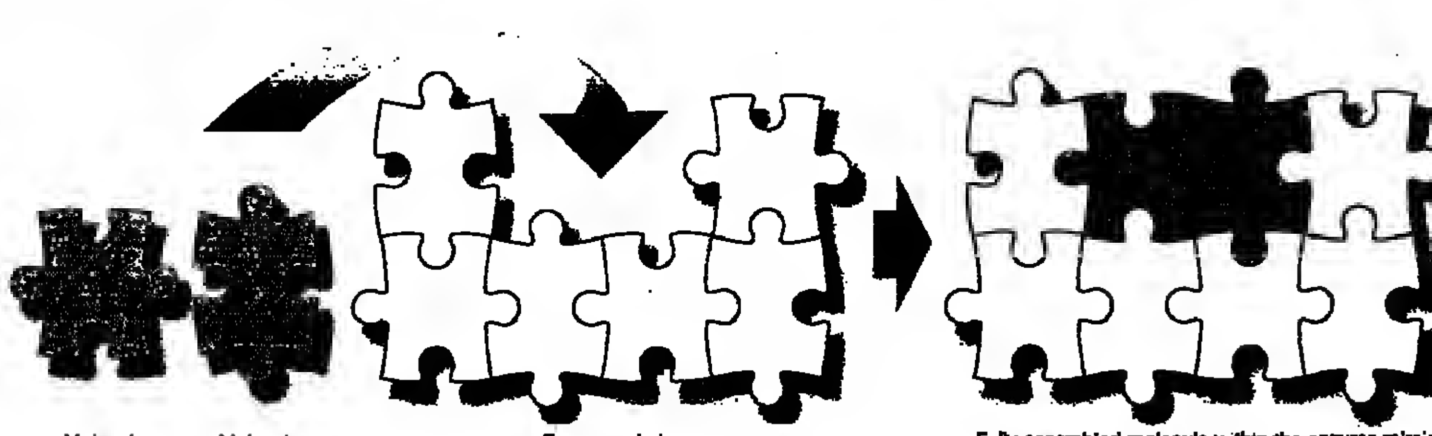
The starting point for Interval Research activity is "interaction design" – the shaping of the way people use technology. Disciplines as diverse as design, psychology, anthropology and dramatic arts are brought under this banner in an attempt to make people's interaction with products more natural.

One topic concerns "place" in a computer environment. For example, asks Crampton-Smith, "how do you do the equivalent of putting your head round the door of the canteen to see if there is anyone there you would like to have a chat with?" Designers can use their skill in visualising in three dimensions to give this electronic landscape an appearance that is usable in an intuitive way. Such understanding is expected to help in the design of products that incorporate a computer in such a way that its presence does not intimidate ordinary users.

One putative example is a telephone-answering machine designed by Durrell Bishop, a graduate of the RCA and now a research fellow at Interval. This would spit out messages in the form of marbles with solid-state memory chips embedded in them; to replay the message, the user would simply drop the marble into the right slot on the machine.

Other items on the research agenda include the combination of forms of sensory interaction – sound and a more subtle use of feel as well as sight and touch. As Crampton-Smith points out: "We are stuck with a keyboard and a mouse and pathetic feedback, so that you have to concentrate on using a computer. You should be able to concentrate on your work."

Making artificial enzymes



Molecule Molecule Enzyme mimic Fully assembled molecule within the enzyme mimic

Chemistry by design

Scientists are constructing enzymes artificially, reports **Lionel Milgrom**

Imagine looking down the barrel of a microscope at a single wriggling cell. It could be a deadly bacterium, a human sperm or a white blood cell. The tiny, writhing glob of protoplasm is a highly efficient chemical factory, doing the same as any other chemical plant the world over – making and transforming chemicals.

The chemical output from a cell is minuscule – micrograms compared with the tonnes from man-made chemical factories. But cells are doing chemistry faster and more efficiently than any chemical plant is ever likely to do. For example, it would require a laboratory the size of Britain to reproduce the number of chemical reactions in a single cell using conventional chemistry.

A cell's ability to package and control complex chemical processes is awe-inspiring. With pressure building on chemical manufacturers to clean up their operations, while remaining competitive and profitable, research chemists are now taking a hard look at how cells do chemistry with a view to mimicking the process.

One area being studied is enzymes, made from large, intricately folded, protein molecules. Enzymes can orchestrate almost every chemical process in cells with total finesse, speed and selectivity. They can bring together two seemingly unreactive molecules (by recognising them), make them react (catalysing reactions between molecules which under normal circumstances would not react or would take a long time to do so), and then release the products, ready to start the cycle again. This is all done in less than one ten-millionth of a second, with a subtlety that ensures only one chemical outcome from the many possibilities available.

In contrast to the slow, comparatively haphazard progress of man-made chemical reactions, enzymes make and break chemical bonds in a fast and controlled manner.

"The trouble is we don't know all the rules of this game yet," says Jeremy Sanders, a chemistry lecturer at Cambridge University in the UK. "We want to build molecules that mimic enzymes in order to discover those rules," Sanders adds, and not purely for the chemical insights such a discovery would bring.

Artificial enzymes are being developed from the insights obtained so far. Although inferior to the real thing, they are built out of simpler, tougher, molecular components that are relatively easy for chemists to assemble. Molecules like these could one day help chemists perform their own, large-scale chemical processes, much faster and more efficiently.

How is an artificial enzyme made? There are two approaches: by design and by empirical research. In the design approach, a particular system is selected and made, preferably out of molecular building blocks enabling a big molecule (artificial enzymes have to be big in order to contain the reacting molecules) to be assembled in as few steps as possible.

The new molecule is then studied to see how well it binds other molecules and makes them react. "The beauty of this approach," says Sanders, "is that we know what we are trying to make, so we can build in rational changes as we go along. The disadvantage is that because we don't know all the rules yet, any molecule we design is likely to fail as an artificial enzyme." In other words, the design approach involves inspired guesswork. Nevertheless, Sanders and his Cambridge team have had some success.

In constructing their artificial enzymes, the researchers adopt a minimalist approach. Their target molecules consist simply of a rigid cavity with several binding sites for other molecules (real enzymes, of course, are more flexible and much more complicated). Nevertheless, one of Sanders's rigid cavities can speed up, by approximately a thousandfold, an industrially important reaction, called the Diels-Alder reaction – used to make insecticides.

Sanders's rigid cavity accelerates the Diels-Alder reaction much less than real enzymes speed up their reactions. Also, the Diels-Alder products remain strongly bound within the cavity, so that Sanders's molecules are not behaving as true catalysts. Even so, they are much tougher than real enzymes.

In its latest work, Sanders's group has tried out artificial enzymes on a different type of reaction; this time, they behave as proper catalysts. Again, the rate of acceleration of the reaction is nowhere near as good as that achieved by enzymes, but it is a start. "We have a long way to go before we have synthetic enzymes worthy of the name," says Sanders, "but at least we know it can be done."

The empirical approach can quickly generate a large number of molecules – usually big proteins called catalytic antibodies – for testing as enzyme mimics. The most catalytically active ones are then selected.

The disadvantages with this approach are that it can be difficult to identify a catalytically-active species. The very nature of these catalytic antibodies also makes them difficult to modify in any systematic way. Both these disadvantages can lead to problems in figuring out the rules that the empirical approach was intended to understand in the first place.

Nevertheless, Frederic Menger and his chemistry team at Emory University in Atlanta have come up with a simple enzyme mimic based on the empirical approach. It operates in a way that many chemists believe enzymes may have evolved billions of years ago.

Enzymes work by bringing together two molecules leaving them no choice but to react. Menger uses molecules with long, fatty chains at one end and reactive sites at the other. When the mixture is put in water, the fatty chains cause the molecules to behave like oil and form a clump. As with enzymes their reactive ends are now so close together they react very smartly indeed.

"It's almost as if our randomly created clumps are like random mutations," says Menger.

The artificial enzymes Sanders and Menger have created could be the blueprint for future industrial chemical catalysts. The rules and criteria these and other chemists working in this field are discovering, seem set to revolutionise chemistry in the 21st century.

For men only

Unofficial estimates suggest that more than 50m men in Europe and the US suffer from impotence. The true figure could be much higher because it is a condition that many are reluctant to discuss with their doctors.

Most sufferers go untreated not least because there are no attractive remedies available. The only drugs sanctioned by health regulatory authorities are muscle relaxants that improve blood flow to the penis. They must be given by injection and the effect lasts an hour or so.

But now, clinical trials have started on a pill which might do the trick. Texas biotechnology company Zonagen has obtained a licence to commercialise research conducted by Adrian Zorgniotti, professor of clinical urology at New York University School of Medicine.

He worked on drugs that had a much more modest effect than the injection. Zonagen's compound seems simply to make a man more likely to achieve an erection rather than trigger an uncontrolled response.

It also seems to be more effective with men who suffer from impotence than those who do not, providing some reassurance to health regulators who fear that the drug will find a market as an aphrodisiac.

But apart from a physiological response, little is known about how it works, admits Joseph Podolski, Zonagen's president. The tablet takes effect about 15 minutes after being swallowed and works best with men whose impotence derives from psychological problems or poor arterial blood flow.

Even its name is under wraps while Zonagen tries to secure patent protection. It was originally developed in the 1950s as a heart treatment and Zonagen fears that without the threat of patent action, manufacturers of the heart treatment will simply offer a tablet version.

At least the trial results should be clear quickly, says Podolski, and a product could be on the market within two years.

Daniel Green

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 21.07.94 Pool purchase price £/MWh	Final Prices for Trading on 23.06.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.78	17.20	19.36
0100	11.55	11.69	13.85
0130	11.55	11.69	13.85
0200	10.96	11.69	13.85
0230	10.96	11.69	13.85
0300	10.96	11.69	13.85
0330	10.96	11.69	13.85
0400	10.96	11.69	13.85
0430	10.96	11.69	13.85
0500	10.96	11.69	13.85
0530	10.05	14.40	14.40
0600	10.05	10.70	10.70
0630	11.19	10.70	10.70
0700	22.76	22.63	24.79
0730	22.76	20.76	22.84
0800	22.84	25.00	27.18
0830	22.87	24.08	26.33
0900	23.43	26.82	29.20
0930	33.55	36.43	38.90
1000	33.77	36.69	39.23
1030	33.62	36.91	39.51
1100	33.98	37.21	39.89
1130	34.53	39.10	41.87
1200	30.33	39.05	41.80
1330	30.20	38.61	41.24
1300	28.56	28.92	31.39
1330	23.73	25.45	27.77
1400	23.46	25.22	27.48
1430	23.35	25.15	27.38
1500	23.28	25.12	27.34
1530	23.25	25.10	27.31
1600	23.50	25.20	27.45
1630	29.09	29.20	31.51
1700	36.32	29.30	31.84
1730	35.96	29.16	31.46
1800	28.25	24.02	26.25
1830	22.82	24.98	27.13
1900	22.77	23.83	25.99
1930	22.76	23.31	25.47
2000	18.96	22.92	25.07
2030	17.04	22.92	25.07
2100	18.86	22.92	25.07
2130	18.86	22.92	25.07
2200	17.84	33.74	35.88
2230	32.74	33.74	35.89
2300	18.96	22.55	24.70
2330	16.71	17.73	19.89
2400	18.96	17.64	19.80

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £19.80/MWh becomes 1.980p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional prices [illegible]

PEOPLE

Virgin directors take flight

Three Virgin Atlantic Airways directors are leaving the group as a result of a reorganisation of senior management. A six-person supervisory board has been created, reporting to executive chairman Richard Branson.

The streamlined structure, which was devised after consultation with 40 middle managers, is intended to improve the effectiveness and efficiency of the airline's senior management, and give the 10-year-old company a better structure to compete into the next century.

It replaces a system comprising two joint managing directors, reporting to Branson, and ten other directors. As a result, Syd Pennington, one of the joint mds, has left the airline but is in discussions on a possible role within Virgin Group.

The other joint md, Roy Gardner, is to become chief executive of a new company, Virgin Atlantic Engineering, which will meet the airline's engineering needs but also seek external customers.

Sales director Rohan Alce, engineering director Dick Plowes and personnel director Nick Potts have also left or are leaving because their responsibilities will be handled by the new, slimmed-down board, all of whose members are internally recruited.

"With this new supervisory board, we will be giving our directors and their staff greater responsibility for the areas they manage and putting in place the right teams for the right jobs," Branson said.

Hoare Govett, the UK stockbroker which now belongs to ABN Amro, the Dutch Bank, has hired Ishbel Macpherson, a 30-something director of corporate finance at BZW, to shake up its smaller company corporate finance activities.

Hoare's senior management need not worry too much about its latest recruit swanning off on maternity leave at the drop of a hat. In an interview with The Independent four years ago, Macpherson affectionately described children as "repellent little buggers" for whom she would be loath to sacrifice her career in the City.

Hoare will presumably hope that Macpherson shows a little more gentleness towards the entrepreneurs who are seeking ways to make their fledgling companies grow.

■ **Alan Brindle**, formerly acting head of London Transport's former tendered bus division, and **Michael Ensor**, formerly director of purchasing and logistics for the NHS Supplies Authority, have been appointed directors of LONDON TRANSPORT BUSES.

■ **Edward Wood**, md of Halifax Courier Holdings, has been appointed to the parent board of JOHNSTON PRESS.

■ **Vincent Slevin**, md of MORE O'FERRALL Communications and chairman of More O'Ferrall Ireland, has also been appointed md of More O'Ferrall Adshel on the resignation of Richard Pears.

■ **David Searles**, a director of Zeneca Specialties and former finance director of Tioxide, has been appointed group treasurer of ICI; Fred Gray, ICI deputy group treasurer, has been appointed financial director of Tioxide.

■ **Roger Cooper**, formerly sales & marketing director, has been appointed md of IDEAL-STANDARD, the UK subsidiary of the American Standard Corp; he succeeds **Norman Bennett** who becomes chairman until he retires at the end of the year.

Bodies politic

■ **Sir Austin Pearce**, former chairman of Esso and British Aerospace, has been appointed chairman of WARDEN HOUSING ASSOCIATION.

■ **Malcolm Roberts**, an independent management consultant, has been appointed chairman of the Eastern Region ELECTRICITY CONSUMERS' Committee.

■ **Len Sanderson**, advertisement director of the Daily Telegraph, has been appointed a member of the council of the ADVERTISING STANDARDS AUTHORITY.

■ **Malcolm Sevren**, customer services director of Allied Carpets Group, has been appointed chairman of QUALITAS FURNISHING STANDARDS.

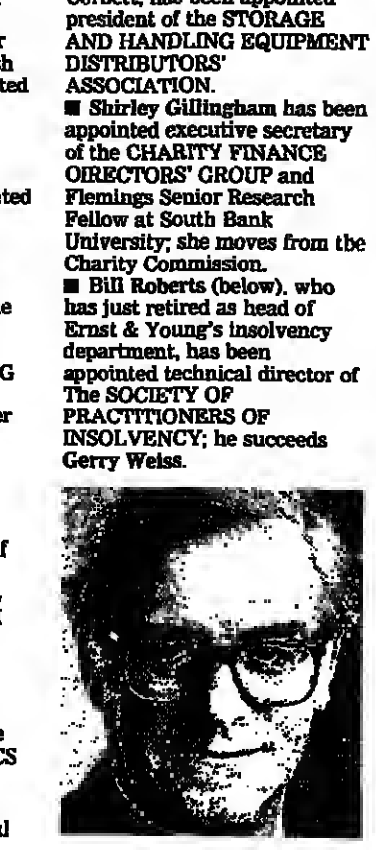
■ **Bob Heygate**, a director of Heygates, has been elected president of the NATIONAL ASSOCIATION OF BRITISH AND IRISH MILLERS.

■ **Juha Rantanen**, ceo and chairman of the executive committee of Borealis, has been elected president of the ASSOCIATION OF PLASTICS MANUFACTURERS IN EUROPE.

■ **Paul Glenister**, md of Paul Corbett, has been appointed president of the STORAGE AND HANDLING EQUIPMENT DISTRIBUTORS' ASSOCIATION.

■ **Shirley Gillingham** has been appointed executive secretary of the CHARITY FINANCE DIRECTORS' GROUP and Flemings Senior Research Fellow at South Bank University; she moves from the Charity Commission.

■ **Bill Roberts** (below), who has just retired as head of Ernst & Young's insolvency department, has been appointed technical director of The SOCIETY OF PRACTITIONERS OF INSOLVENCY; he succeeds Gerry Weiss.



■ **Gareth Jones**, ABBEY NATIONAL'S group treasurer, has assumed control of its European operations from Charles Toner, md retail.

■ **Tony Stradmoor**, formerly general manager of Kobayashi & Co, is appointed a director of Martin Bierbaum, another TRIO HOLDINGS subsidiary.

■ **Jonathan Lubran**, formerly chief executive of Bankers Trust Investment Management, has been appointed md of FOREIGN & COLONIAL's institutional marketing division; he and Fred Packard, chairman of Foreign & Colonial Emerging Markets, have been appointed to the F&C Management board

■ **Gordon McKechnie** has been appointed director of project advisory at NATWEST Markets; he moves from J.P. Morgan.

■ **Edward Bonham Carter**, formerly a director of Electra Kingsway, has been appointed a director of JUPITER TYNDALL MERLIN.

■ **John Brakell**, a founder director of Granville Private Equity Managers, has been appointed to the board of GRANVILLE HOLDINGS.

Sabberwal helps take off the brakes

T&N, the motor components and materials group, yesterday announced the appointment of Amar Sabberwal, chief executive of the company's friction products division, to the board of Japan Brake International, the Japanese vehicle parts business.

Sabberwal, 60, is expected to strengthen the existing links between T&N and JBI, which in 1990 formed a joint venture company, Ferodo Automotive Products, in Nashville, Tennessee, to supply brake pads and linings to Japanese car plants in North America and indigenous US manufacturers.

Although Sabberwal will remain in charge of the frictions business, Colin Hope, T&N chairman and chief executive, says his position with JBI would enhance an association which has "helped T&N to meet its Japanese customers' needs and led to T&N being the first choice supplier to Japanese plants in Europe and the US".

The move marks the latest in a series of promotions for Sabberwal, who was named an executive director in 1989 after serving on the board of TN Technology, T&N's central research and development facility.

Before that he was managing director of BIP Chemicals and managing director of T&N Materials Research. He is also a non-executive director of University of Salford Holdings.

Cinema/Stephen Amidon

Sensual promises, wishful thinking

Sirens is a smug, frothy ode to bohemianism that leaves you wondering if stuffy conservatism might not be such a bad way of life after all.

Set in 1930s Australia, it concerns a young English vicar (Hugh Grant) who is asked to try to persuade the rebellious artist Norman Lindsay (Sam Neill) to remove an allegedly blasphemous painting from an exhibition. The vicar travels to tbe painter's remote studio accompanied by his new bride (Tara Fitzgerald), the sort of repressed Englishwoman abroad who has become a stock-in-trade in art house cinemas of late.

The bnttoned-up couple discover that Neill leads a seemingly amoral existence with a free-thinking wife and three dishy models, all of whom pose naked for his racy, idiosyncratic paintings.

The vicar proves no match for all that naturalism, while his wife soon lets ber hair down, aided by a steamy encounter with a brain-damaged ranch-hand who looks like a blind Chippendale.

The promise of Elie Macpherson (as the lead model) turning Hugh Grant on to the more earthly pleasures in a film which espouses creativity over convention should have proved a winning formula.

Unfortunately, the film's celebration of artistic freedom is so self-satisfied thet it defeats itself at just about every turn.

Neill and his models are so piously cocksure about their lives that it is *they* who come across as the fundamentalists, utterly contemptuous of anybody or anything that does not fit their narrow sensual agenda.

Grant and Fitzgerald, meanwhile, prove to be the only real buman beings, flawed yet likable characters who are willing to listen, grow and love.

You soon pity them for having to endure this squad of cultural onanists for more than a few minutes. Now, if this ironic reversal had been intended it would have made for a fine comedy, but director John Duigan takes his bohos seriously, littering the film with Edenic imagery of snakes and apples and references to lost paradises.

Indeed, there is something brazenly two-faced about a film which lectures yoo on tbe value of artistic integrity while shoving a nude supermodel in your face at every opportunity.

Grant's and Fitzgerald'a eventual conversion to a more sensual life is utterly unbelievable, more a product of wishful thinking on the director's part than anything intrinsic in the story.

SIRENS (15)
John Duigan

LOVE AND HUMAN REMAINS (18)
Denys Arcand

THE FLINTSTONES (U)
Brian Levant

SNOW WHITE AND THE SEVEN DWARFS (U)
David Hand

MY GIRL 2 (PG)
Howard Zieff

*

Where *Sirens* is never more than a pale imitation of art, *Love and Human Remains* looks like the real thing.

Frencb Canadian director Denys Arcand's first English language feature has the messy, enthralling feel of modern life. It centres on David (Thomas Gibson), a gay actor who rooms with Candy (Ruth Marshall), a depressive book reviewer.

She secretly loves him, while herself serving as the object of the frustrated affections of a lesbian schoolteacher and a married bartender. David, meanwhile, divides his time between his womanising best friend, a confused rich boy and a clairvoyant dominatrix.

While Arcand might not reach the dizzying mythic heights of his *Jesus of Montreal* here, he does manage to create a film whose honesty is disturbing. For the most part, be avoids emotional clichés and facile resolutions as be charts the interactions of this diverse group. David believes he can live without love yet finds that this refusal causes pain to everyone around him, while Candy wrongly thinks she can love several people equally.

It is only in a gratuitous sub-plot involving a serial killer that Arcand falters – his vision is much too strong to need such artificial bolstering.

*

The Flintstones is a curious cultural pbenomenon. Not a film in any meaningful way, it is rather a $30 million exercise in problem solving on the part of supremo Steven Spielberg and his crew.

Can tbe filmmakers accurately reproduce the classic Hanna-Barbera cartoon using live actors and real sets? Can they create a world in which everything is made of leather and rock, where dinosaurs and people coexist, where every name is a paleolithic pun? Can John Goodman as Fred bring to mind the shambolic presence beloved by a generation of couch potatoes? Can the special effects boffins fabricate a credible Dino?

It is a measure of bow dismal the film is that, even though the answer to all these questions is yes, you are still left with a tediously pointless 90 minutes. The few good moments – a living garbage disposal, a soap opera called "The Young and the Thumbless" – are not nearly enough to sustain a project which completely abandons the adult irony and Middle America satire that makes the cartoon so enjoyable.

The filmmakers must hope thet we are so dopey with nostalgia and impressed by the film's dubious cartoon-into-life alchemy that we will forgive them for not bothering to entertain us.

Or maybe Spielberg just had some dinosaurs left over from *Jurassic Park*.

*

At the end of *The Flintstones* there is a moment when a prehistoric bird, facing imminent extinction, rues not having signed a contract with Disney. "*They* would never have done this to me," he quips.

How true, as this week's reissue of *Snow White and the Seven Dwarfs* reminds us. It is nice to see that there are still on show examples of animation created hy people who believe in the art form.

*

Interestingly, the Disney classic is not the most schmaltzy film on offer this week. This distinction must go to *My Girl 2*. For those who missed the original episode – congratulations. That said, at least the first instalment provided the unalloyed pleasure of watching Macaulay Culkin die horribly in a bee-sting accident.

No such luck here as Anna Chlumsky, now 13, reprises her role as the motherless girl with a heart of gold. As part of a school project, she travels to L.A. to research her dead mother's life, discovering that she was in fact a serial killer and an S&M hooker who . . . just kidding.

The film's only distinction is its uncanny ability to present a world in which everyone, including a sergeant in the Los Angeles Police Department, is unfailingly nice. Good soundtrack, though.

Nigel Andrews is on holiday.

Amoral existence: Sam Neill as Australian artist Norman Lindsay surrounded by his bohemian models in 'Sirens', including supermodel Elle Macpherson (left)

Theatre/Martin Hoyle

The Miracle Worker

What an extraordinary play *The Miracle Worker* is. Such a standby for provincial reps, such an easy option for tatty tours. Yet despite vague memories of William Gibson's 1959 Broadway success as a well-tailored tear-jerker, the piece works theatrically every time.

Of course, the plot is fool-proof: the true story of bow the infant Helen Keller, blind, deaf and dumb and reduced to the status of an imperfectly domesticated animal, was rescued from this living death by an inspired teacher, Annie Sullivan, half-blind herself and from a heart-rendingly deprived background.

The moment of breakthrough towards the end of the play, when the wild and speechless child makes the connection between the finger-language words pressed out on her palm and the actual outside world, is tremendous theatre. I defy any cynic to be unmoved.

The scene passes with flying colours in the production by Richard Olivier at the Comedy Theatre, even cast with a shrewd-looking Helen, for whom communication is patently only a matter of time, and an Annie whose cool confidence is never really in doubt.

If juvenile memory serves me, London's original Annie was Anna Massey, whose gawky, homely vulnerability marked her as potentially one of life's losers.

She had to fight to survive, let alone sustain the effort of will to drag her pupil into the world. Here we have Jenny Seagrove, fine-boned, delicate, beautiful, an obvious heroine figure despite all her anguished, haunted recollections of the little brother who died in the workhouse.

Alastair Muir

Jenny Seagrove: an obvious heroine

Catherine Holman gives a technically remarkable performance as Helen, convulsive, scenting strangers like an animal, switching from tantrums to the pathetic demand for comfort and reassurance.

But she misses the frighteningly feral quality that some actresses have brought to the role. There is no need to be brought up by wolves to be wild; helplessly indulgent parents in well-to-do Alabama in the 1880s will do the trick for you just as well.

The play is funnier than might be expected, the humour centring on the blusteringly bewhiskered paterfamilias, Captain Keller. There are queasy hints that he is meant to be a lovable old softy – and a wispy sub-plot concerning tensions with his grown-up son steer dangerously near the squelchy quicksands of pop'n'junior plays – but William Gaunt gives him tough authority.

Judi Bowker's Mrs Keller is also a rounded character, understandably inclined to indulge her maimed child. If, as with other aspects of the production, Annie's struggle to tame ber bristling, isolated pupil looks a trifle contrived – one long, soundless physical scuffle is as elaborately choreographed as any western saloon-bar brawl – the message emerges clearly.

For Annie Sullivan it was not enough to transform the untamed creature into a clean, napkin-wielding household pet; Helen had to be made as aware of, and as hungry for, the richness of life as any normal person. Here acting, production and the play itself come into their own.

The Comedy Theatre.

Peter Brooke bows out

Everyone knew Peter Brooke was about to lose his job as the national beritage minister. Always good humoured and laid back, he has seemed even more relaxed in recent weeks as he dutifully attended the arts functions, the heritage briefings, the broadcasting confrontations and the sports meetings which litter the life of the Minister of Fun.

He only got the job because of the sudden crisis in September 1992, when David Mellor, the prime minister's friend and the main advocate of the new ministry, was forced out of government. Brooke was chosen as a safe pair of hands who, at 58, harboured no great ambitions. He has done his duty with urbanity and pragmatism and leaves with the warm goodwill of most of the disparate band of supplicants who look to the heritage minister for funds.

His great achievements were getting the Lottery up and running with little fuss, and securing a new charter for the BBC. He has proceeded slowly and safely with other hroadcasting reforms; he has proved a friend of the media hy not rushing through a draconian Privacy Act; and as a collector of watercolours and an old-fashioned gentleman he was a quiet supporter of the heritage lobby.

He cut the Arts Council grant this year – the first time ever – but he will argue that he fought his corner against an axe-wielding Treasury with skill. Things might have been worse and the total budget of his ministry increased, quite an achievement.

He reformed the council gently, making it more accountable. Perhaps his greatest long-term contribution was to strengthen its management hy appointing Lord Gowrie as chairman, and names such as Trevor Nunn and Richard Rogers as members.

Like his predecessors Brooke failed to get to grips with the British Library juggernaut, which acts like a leech on his budget and got him embroiled earlier with the Commons Heritage Committee, which yesterday released a scathing report.

He also lacked imagination in dealing with the powerful British film lohby: the UK still starves its movie makers of necessary financial incentives.

His main hlunders were small but emotive. He failed to catch the public mood after fire destroyed part of Windsor Castle and unwisely pledged government money for tbe rebuilding, and he somehow messed up the D-Day commemoration.

If John Major was looking for an excuse to shed him, rousing the ire of the strongest Conservative lobby in the land provided it.

But Peter Brooke went because he was expendable, and because he was too sensitive and restrained to bang the promotional drum. The Heritage Ministry was designed as a vote winner for the government, to spread a powerful feel-good atmosphere throughout the land. Mellor had the personality to lead the parade; it went against Brooke's grain.

It might suit Brooke's successor, Stephen Dorrell, rather well. He is a politician on the make. He will see heritage as a step up the ladder. He will raise his profile through the ministry, and be keen to demonstrate that this is one government department that sees its job as improving the mental, and physical, health of the people. He is as much the new-style politician as Peter Brooke represented the dying breed.

Antony Thorncroft

Recital

Message lost in double Dutch

Among other things, the Almeida Festival has brought us the Schoenberg Quartet from the Netherlands, and in turo they brought us not only two works hy their eponym, but two recent Dutch pieces.

One of them was Louis Andriessen's 1991 quartet *Facing Death*, from about the time of his *De Materie* – an imposing success, as I reported here, at the South Bank's Meltdown festival; so I went.

There is nothing much new to report about Andriesseo. Like each movement of *De Materie*, *Facing Death* (title unexplained) explores a narrow vein at relentless length, here a jazzily syncopated tune in innumerable variants and simple counterpoint.

It just about succeeded in bolding our interest, and might do so a second time or even perhaps a tbird; but around then its sell-by date may have passed. Such obsessive, close-focus treatment works better as a segment of a larger whole than as a self-standing piece – at least when it takes some 20 hectic, exhausting minutes.

Tbough the Scboenberg Quartet are doughty players, they missed the degree of gleaming precision that Reinbert de Leeuw got from his *De Materie* bands, and there were occasional lapses in pitch.

Yet they are a keen, intelligent ensemble: hlunt and sometimes – to non-Dutch ears, anyhow – even graceless, but attentively musical and fully equal to severe technical demands. In Schoenberg's *Ode to Napoleon* (after Byron) they gave us a superbly lucid performance, better than almost any I have heard of this gritty, angry piece, and Michael Grandage delivered the text with grand Byronic flair.

Sepp Grotenhuis, the excellent pianist in tbe *Ode*, sounded odder in Webern's quintet-version of Schoenberg's evergreen Chamber Symphony no.1 for 15 instruments.

Certainly Webern's arrangement sets knotty problems of balance – even more than the original! – but can Grotenhuis really have listened to the original, so as to learn what he was standing in for? In the event, he let subsidiary voices loom up like the Kraken's howl while understating the crucial ones. It was like meeting the work in a reversed negative: weirdly fascinating if you already knew it, baffling (though maybe exciting) if you didn't.

I hesitate to mention the fourth work, the First Quartet of Klaas de Vries, because I could make no sense of it. I could *describe* it – its elements are not complicated, and they include some deliberate (very faint) echoes of earlier quartets; but what it thought it was saying, or doing, remained opaque to me.

There is perbaps a dense Dutch sub-culture of musical avant-garderie which has taken different turns from those familiar elsewbere; if one doesn't know the local history, its latest products may well be impenetrable.

David Murray

INTERNATIONAL ARTS GUIDE

FESTIVALS

■ EDINBURGH

● This year's festival (Aug 14-Sep 3) is one of the most ambitious of recent years, spurred by the opening of a major new venue, the Edinburgh Festival Theatre.

● The drama line-up is headed by Peter Stein and Robert Lepage. Stein presents a Russian cast in a seven-hour production of Aeschylus' Oresteia trilogy (Aug 25-28), while Lepage premieres his new work The Seven Streams of the River Ota, the river which runs beneath Hiroshima (Aug 14-21). Among the other theatrical works on offer are Goethe's Torquato Tasso in an English translation (Aug 15-20); J.M. Synge's The Well of the Saints from Dublin's Abbey Theatre (Aug 24-28); two Shakespeare plays - the Berliner Ensemble'a German-language production of Antony and Cleopatra (Aug 16-18) and a French-language production from Orléans of The Winter's Tale (Aug 23-25); and the UK directorial debut of Luc Bondy in a quintessential international festival production, a wordless play by Peter Handke involving 30 actors playing 400 characters (Aug 31-Sep 3).

● The dance programme is headed by an Edinburgh favourite, the Mark Morris Dance Group (Aug 20-22), followed by the Lucinda Childs Dance Company (Aug 23-25) and Merce Cunningham Dance Company (Aug 27-28).

● Beethoven is the main festival composer this year. Scottish Opera presents the opening production of Fidelio. All nine symphonies will be played by orchestras from Cleveland, Stavanger and Hamburg, plus the Orchestra of the Age of Enlightenment, as well as the five piano concertos and many of the string quartets. Among the musicians involved are Alfred Brendel, Andras Schiff, Richard Goode, the Borodin Quartet, Frans Brüggen, Charles Mackerras, Christoph von Dohnanyi and Günter Wand. Chabrier is the other featured composer, with performances of three of his stage works. Roderick Brydon makes a welcome return, conducting the Australian Opera's production of Britten's A Midsummer Night's Dream (Aug 25-27). Donald Runnicles conducts the opening performance of Mahler'a Eighth Symphony on Aug 14, and Charles Mackerras the closing performance of Tha Dream of Gerontius on Sep 3.

● Official Festival: 031-225 5756. Military Tattoo: 031-225 1188. Fringe: 031-226 5257

■ GLYNDEBOURNE

The new theatre has made a cracking start with Graham Vick's oew staging of Yevgeny Onegin with Yelena Prokina as Tatyana (final performance on Sun), a revival of Glyndebourne's classic production of The Rake's Progress in David Hockney's sets (tonight, also July 27, 30, August 2, 5, 8, 11, 14) and the new Simon Rattle/Deborah Warner production of Don Giovanni, with a cast led by Gilles Cachemaille (July 22, 26, 29, August 1, 4, 7, 10, 13, 16, 19, 21, 24). Trevor Nunn's 1992 production of Peter Grimes is revived on Jnly 31 with a cast headed by Anthony Rolfe Johnson and Vivian Tierney (0273-541111)

■ LUCERNE

Under Matthias Bamert, Switzerland's premier music festival has taken on an adventurous slant. Focal points this year (Aug 17-Sep 10) are a 70th birthday tribute to Swiss composer Klaus Huber (whose new piano concerto will be premiered by Andras Schiff) and a wide-ranging exploration of the way music is interpreted. Four different performances will be built around Schubert's Winterreise, including a new opera. There will also be a series of offbeat events breaking all the rules of traditional concert form. The conventional side to the festival is as strong as ever, with leading orchestras from Berlin, Vienna, Amsterdam, Cleveland and Dresden (041-235272)

■ MACERATA

This year's operas are Carmen, La boheme and L'elisir d'amore. The Bizet, conducted by Alain Guingal and staged by Gilbert Deflo, has changing casts including Denyce Graves/Lucia Valentini Terrani in the title role and Neil Shicoff/Fabio Armiliato as Don José. Giusy Devinu sings Mimi in the Puccini, and the Donizetti cast is headed by Valeria Esposito, Pietro Ballo and Enzo Dara. The festival runs till Aug 13 (0733-230735)

■ OSLO

Founded by Norwegian violinist Arve Tellefsen in 1989, the Oslo Chamber Music Festival has quickly won a reputation for conviviality and musical quality. Concerts take place in churches, castles and concert halls around Oslo, with each year's programme focusing on a different country. This year (Aug 5-13) is Britain's turn, with music ranging from Byrd and Bridge to David Matthews and Oliver Knussen. The Nash and Hilliard Ensembles are taking part, while Truls Mork will play Elgar's Cello Concerto and Yuri Bashmet gives a viola recital (2255 2553)

■ PESARO

This exquisite walled town on the Adriatic was Rossini's hirthplace. Each year it brings together genteel lovers of the Italian maestro's music, who come to explore some of his lesser-known operas, alongside bucket-and-spade beach-goers. This year's programme (Aug 11-29) includes a new production of the one-act dramma giocoso L'inganno felice, staged by Graham Vick and conducted by Carlo Rizzi; a revival of the 1992 production of Semiramide, with Roger Norrington making his Pesaro conducting debut; and L'Italiana in Algeri starring Jennifer Larmore (0721-33184)

■ SANTA FE

Göran Jarvefelt's 1984 production of Intermezzo is revived on Sat, with Sheri Greenawald and Dale Duesing as the Storchs (sung in English). This year's new productions are Il barbiere di Siviglia, staged by Francesca Zambello and conducted hy Evelino Pido (till Aug 26), Tosca staged by John Copley with Mary Jane Johnson in the title role (till Aug 27), and Entführung directed by Graham Vick (till Aug 24). The American premiere of Judith Weir's Blond Eckbert takes place oo July 30, less than four months after the opera was unveiled by ENO in London (505-986 5900)

■ TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. This weekend's concerts are conducted by Leonard Slatkin and Seiji Ozawa, with three piano soloists - Alicia de Larrocha, Maria Tipo and Christian Zacharias. Saturday's concert includes the world premiere of Lukas Foss'a new Piano Concerto. Next week's visitors include Ute Lemper, Richard Goode and Anne Sophie Mutter. The festival runs till Sep 4 (Ticketmaster Boston 617-931 2000 Western Massachusetts 413-733 2500 New York City 212-307 7171 other areas 1-800 347 0808)

■ TORROELLA DE MONTGRI

Torroella de Montgri is a small Catalan town six km from the sea on the Costa Brava, but it is not primarily a tourist resort. The town is architecturally typical of the Empordà, and is set in beautifully natural surroundings. The summer music festival, which runs till Aug 26, mixes Spanish artists of the calibre of Giacomo Aragall and Jordi Savall with international guests such as the Franz Liszt Chamber Orchestra and the Choir and Orchestra of the St Petersburg Capella (072-761098)

■ VADSTEJNA

Vadstejna's annual opera festival takes place in the historic buildings of this charming medieval town 250 km south-west of Stockholm. The second and final production this year is The Various Adventures of Mrs Björk, a tragi-comedy by Swedish composer Staffan Mossenmark based on a novel by Jonas Cardell. This opens on July 28 and runs till August 12. There will also be an opera gala in the Vadstejna Castle courtyard on August 7 (Tickets 0143-10094 Information 0143-12229)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Supar Channal: FT Reports 1230

FRIDAY
NBC/Super Channal: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Traders and greens caught in a net

GREENING THE GATT: Trade, Environment and The Future
By Daniel C. Esty
Institute for International Economics, Washington DC 344pages. $19.95

When a General Agreement on Tariffs and Trade panel ruled against the US in 1991 for banning Mexican tuna exports, because they were fished with nets which also caught dolphins, American greens saw red. On posters and in newspaper advertisements, they attacked "Gattzilla" as a rampaging dinosaur, brutally trampling on ecological safeguards and national sovereignty.

The tuna-dolphin case has since become a potent symbol of friction between environmental and trade policies – and of the heat it can generate. Environmentalists sneer at the trade community as bloodless zealots, who worship only economic efficiency.

Free-traders, meanwhile, deride environmentalists as wild-eyed idealists with poorly thought-out goals which, implicitly or explicitly, favour protectionism.

These mutual hostilities have not favoured rational debate on a subject which is commanding growing international attention, but about which much remains uncertain. The relationship between trade and environment policies is so poorly charted that it is hard to be sure how far they genuinely conflict – or whether the controversy is mostly politically contrived alarmism.

Esty, a former US environmental policy official, declares his interest at the outset. He insists serious issues are at stake because environmental problems increasingly cross frontiers. Many trade experts would dissent. But judging by the plaudits for his book from both sides of the divide, he has set out the opposing arguments with exemplary fairness.

His starting point is that the focus of environmental policy has shifted from crude curbs on smokestack pollution towards reliance on market forces to change individuals' behaviour. The result is growing interest in the principle of "the polluter pays", in pricing mechanisms and in ensuring that environmental costs are properly internalised.

Yet economic disciplines can work only if agreement is first reached on the value of the assets concerned – a question on which opinions can differ widely. What, for instance, is the value of a pretty view? On such questions, Esty argues, political judgments are unavoidable.

However, he says, environmentalists lack a suitable institutional framework, of the kind Gatt has provided in trade, in which to forge international consensus on rules and their enforcement. As a consequence, the environmentalist cause remains splintered, poorly focused and prey to special interest lobbies.

Esty's preferred solution is a Global Environmental Organisation, which would set worldwide standards and settle disputes. However, he is honest enough to admit that – barring some global ecological catastrophe – the idea is politically a non-starter.

But when Esty seeks alternatives, his balance starts to wobble. In striving to be even-handed, he becomes enmeshed in convoluted arguments, the implications of which he does not always fully explore.

On the one hand, he accepts that unilateral trade sanctions are a poor way to enforce environmental standards: often, they lead to evasion or inflict economic damage without solving environmental problems. Far better, he says, to use financial incentives to encourage adoption of higher standards. Equally reasonably, he suggests that Gatt disputes settlement procedures be made more transparent and involve more environmental expertise.

Yet he says Gatt rules should nonetheless be changed to permit greater recourse to trade measures for environmental reasons, because the US and some other members will probably impose them anyway.

The notion is flawed. Not only does Esty admit that Gatt is a far from ideal body in which to settle environmental issues. But he implies that internationally agreed rules must be bent to suit the vocal political lobbies in powerful economies which he earlier disparages. The same case could be made to condone sanctions against low-wage exporters – or to justify the enormities of the European Union's Common Agricultural Policy.

Esty raises more problems when he tries to construct general principles under which Gatt might reasonably authorise use of trade measures. His idea that they should be allowed in support of environmental policies which enjoy wide "moral" legitimacy internationally or address "global" problems looks auspiciously like a formula for endless hair-splitting debate about matters on which even scientists find it hard to agree.

The water is muddied still further by his proposal that the Gatt clause which authorises bans on products for environmental reasons should be extended to production methods. Not only would that heighten risks of trade conflict by elevating local environmental problems to international status; but by switching the onus from protecting consumers to disciplining producers, it would create immense administrative difficulties.

How would environmental standards at millions of factories worldwide be monitored? How would customs officers identify offending products, such as microchips which had been processed using ozone-unfriendly CFCs? And why should producers necessarily respond to trade sanctions by raising environmental standards, rather than by lowering them still further to cut costs?

That Esty provides no satisfactory answers is less a criticism of his book, which is an honest attempt to make sense out of confusion, than an illustration of the difficulties of policymaking while so much in the trade and environment debate remains unclear. The immediate need is not for more solutions, but for rigorous and objective analysis to clarify the true nature of the supposed problems, and how much they matter.

Guy de Jonquières

ECONOMIC VIEWPOINT

'Wedge' versus 'social wage'

By Samuel Brittan

Theories about the causes and cure of unemployment arrive in every post. One way to keep one's head above water is to examine together clusters of ideas with a common core, even though this does less than justice to each individual variant. A cluster, known for a long time but growing in popularity, is called the 'wedge theory'.

The wedge is the gap between what the employer pays in wages and what the worker takes home. In its simplest form it runs: there are so many add-ons on top of the wage bill to pay for social benefits that labour has become expensive to employ. Non-wage labour costs were estimated by a House of Lords report[1] to amount to 44 per cent of total labour costs as an EU average, but 'only' 30 per cent in the UK. In Japan they were 24 per cent and in the US 28 per cent. Businesses understandably seek to avoid these add-ons by mechanisation, labour-saving drives, macho-management and so on.

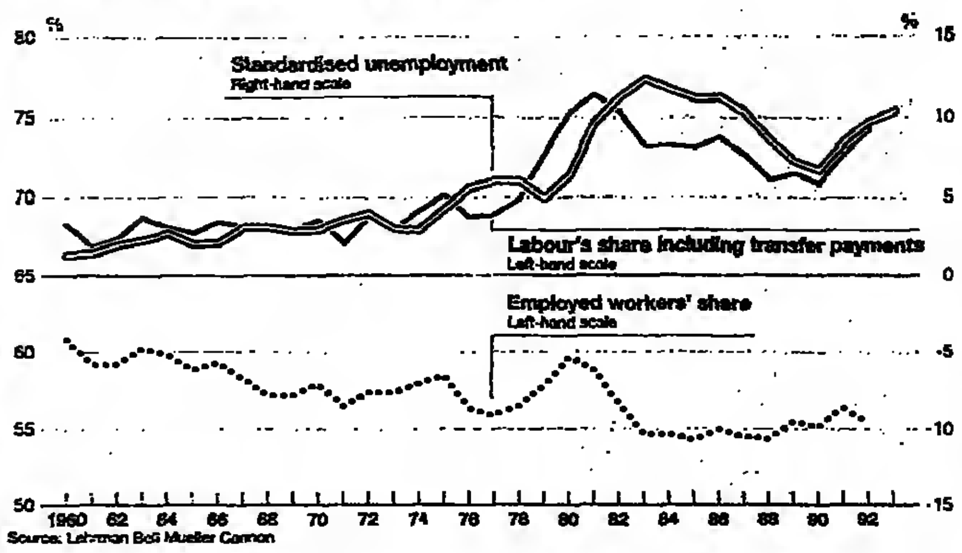
As Anthony de Jasay[2] has put it: "Social protection costs more than it is worth to at least some of those that it protects. The result is that, at the margin, employment is taxed more than the subsidy is worth to workers... and there is a net extra burden on the economy. Enterprises have to restructure and unemployment is born of social protection."

Why are these wedge theories so familiar? It is because they have been previously promulgated in a very different political setting by leaders such as Harold Wilson, UK Labour prime minister in the 1960s and part of the 1970s.

Wilson called the wedge the 'social wage'; and he used it to sell pay restraint, arguing that real wages were much higher than take-home pay because part of workers' remuneration took the form of welfare state benefits, such as health, education, social security and so on. He used this notion in his campaign for pay restraint.

One of the most numerically sophisticated recent attempts to stand up the wedge doctrine has come from a US securities economist, John Mueller[3]. He relates unemployment to what economists used to call 'efficiency wages', that is pay adjusted for prices and productivity. He shows that, on plausible assumptions, efficiency wages can be approximated by 'labour's share of the national income'. To arrive at the latter he subtracts from gross pay taxes on labour, such as payroll levies and a share of income tax. He adds on domestic transfer payments, which are mainly for social security.

UK labour costs and unemployment



Source: Lehman Bell Mueller Cannon

The adjusted series throws light on one paradox: why has UK unemployment risen so much over the last decade and half when the combination of labour market shakeout and Thatcherite policies has pressed down on pay relative to profits? The accompanying chart suggests that although the *employees'* share of the national income has fallen, *labour's* share, after making the fiscal adjustments just described, has actually been 5 to 10 percentage points higher than it was in the 1970s.

There are several points to clarify. It is not always realised that there is little difference, apart from presentation, between social security contributions levied on employers and those levied on employees. Both will be passed forward into the cost of labour. For instance, the main impact of UK mainstream National Insurance contributions derives from their total weight of just over 20 per cent, rather than from the fact that they are divided almost equally between employers and employees.

In some European countries with high payroll contributions, a shift from payroll taxes to income taxes or indirect taxes such as VAT has been discussed. But this would not solve the problem either. Income tax is – like payroll taxes – an almost proportional levy on wages and salaries, with some alleviation at the bottom of the scale. Indirect taxes are taxes on that proportion of income (about 90 per cent) that is spent. If workers have the market power to make employers recoup in higher pay the burden of payroll taxes, they also have the power to recoup other taxes levied directly on their incomes or expenditure.

The focus on non-wage costs is questionable. All per capita labour costs matter

The wedge theory was originally advanced not as an explanation for unemployment, but as a warning about the distortions to the supply of effort which too ambitious a welfare state could impose. This can be seen from the earlier writings[4] of Assar Lindbeck, the Swedish economist who pioneered the wedge theory when Sweden still had full employment.

The wedge may nonetheless affect employment for three reasons:

- Workers do not value the social wage as much as take-home pay, and at the margin are less inclined to take jobs or more inclined to work shorter hours. Unemployment of this kind is surely voluntary.
- Union representatives do not fully take into account the social wage and insist on higher settlements than they otherwise would, to recoup the tax wedge. As a result, workers are priced out of jobs.
- There are many factors other than the immediate state of the labour market that determine employers' pay offers. These factors cover ideas of fairness and a desire for labour goodwill. They discourage employers from trying to recoup the wedge in lower pay, but they respond by cutting payrolls instead.

Other questions arise. Why should the size of the wedge be limited to benefit expenditure? De Jasay includes all welfare expenditure – health and education as well as benefits. But why stop even there? Surely taxes on workers to pay for military expenditure, public administration or interest on the national debt are just as much part of the wedge.

What then are the policy implications of the wedge theory? Many of the academics who espouse it suggest that social security contributions should be actuarially related to benefits. In other words, contributions to finance the dole should be related to the chance of falling out of work in the particular occupation; and social security rates should be sufficient to finance state pensions on normal actuarial expectations.

In these circumstances, the argument goes, payroll levies would be for defined benefits, for which workers would be prepared to pay without recouping in wages. The view is plausible only if the actuarial contributions are also voluntary – in which case a social security system could hardly be said to exist. Moreover, the actuarial principle could not realistically cover health and education, let alone non-welfare spending.

The whole focus on *non-wage* labour costs is open to suspicion. It appeals to politicians because it looks less like union-bashing; and British ministers can also feel self-satisfied because the burden of these costs is less in the UK than in other EU countries.

But it is surely *total labour costs per head* which determine whether it is worthwhile to employ an extra person. These include pay and non-pay elements. Some of the latter escape measurement, such as restrictions on hours or on adjusting pay fully to age, experience or skill. All these things make workers expensive and it is arbitrary to pick on any one of them. 'Pricing out of work' is still the best encompassing formula.

[1] *House of Lords Select Committee on European Communities, HL paper 43, April 19 1994.*
[2] *Anthony de Jasay, A Vicious Circle of Social Kindness, Financial Times, April 29 1994.*
[3] *J Mueller A Challenge to Conventional Labour Market Wisdom, Lehrman, Bell, Mueller, Cannon, 110 North Glebe Road, Suite 1060, Arlington, VA 22201.*
[4] *Assar Lindbeck, The Welfare State, Edward Elgar, 1993.*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

UK needs effective opposition, not petulant and petty outbursts

From Sir Colin Chandler.

Sir, With Mortimer on foreign affairs, Brittan on economics and Rogaly on politics, there's not much need to look elsewhere – congratulations on such an excellent team.

But can I take issue with Joe Rogaly, whose recently expressed enthusiasm for a change of government is perhaps ahead of itself? With almost certainly two and perhaps three years to go before the next general election should he not be emphasising the need for an effective opposition party in the interim? Otherwise the job will be left, as it increasingly has been, to the less objective sections of the media.

And an effective opposition party depends not just on one person, its leader, but on the whole team, and I for one have been disappointed with the performance of most shadow cabinet members recently. One example was a seemingly petulant and petty outburst by Dr David Clark, the shadow defence secretary, on the government's recent announcements about agreed orders for defence equipment.

This company benefited from a contract for 259 Challenger 2 main battle tanks. Dr Clark dismissed this piece of good news for manufacturing industry as old news dressed up for the parliamentary occasion. In fact, the secretary of state for defence announced the government's intention to purchase up to 259 Challenger 2 tanks on December 1 1993. Without detracting from that announcement, I am sure that even Mr Malcolm Rifkind would agree that statements of intent do not necessarily count for very much. What does count, for the Army, for the taxpayer, for this company and its suppliers, is the quantity of tanks, the specification, the delivery dates, the price and the payment terms. To have agreed all of those in 7¼ months is remarkable by any commercial standards.

If Dr Clark had instead said the decision was good news for industry but should have been taken a long time ago, I would have more confidence that 15 years in opposition had been spent learning about the real world rather than practising the art of empty slogans.

Colin Chandler,
chief executive,
Vickers,
Millbank Tower,
Millbank,
London SW1P 4RA

Unemployment factors also a myth

From Mr Andrew Sentance.

Sir, Peter Robinson (Personal View, July 18) usefully dismisses some of the myths surrounding the current debate on employment and unemployment. But he concludes by perpetuating a myth of his own. He alleges that it is the decentralisation of pay bargaining and the abolition of incomes policy in the private sector which have been responsible for a worsening inflation/unemployment trade-off in the UK and, hence, the country's currently high jobless total.

That is the wrong conclusion to draw from the experience of the 1980s. The secular rise in UK unemployment was mirrored in other European countries which did not experience the same changes in pay bargaining structure. Many of them have very centralised systems of pay determination. Moreover, this European experience stands in stark contrast to the US – which has a very decentralised system of pay bargaining, and where unemployment has not followed the rising trend apparent in most of Europe.

There is no simple link between pay bargaining systems and unemployment experience across different countries. The key to maintaining a high level of employment is real wage flexibility, so that unpleasant shocks are reflected in lower labour costs rather than rising unemployment. Real wage flexibility can be achieved under centralised pay bargaining systems in corporatist economies (eg, Germany and Scandinavia). But it is also a feature of the decentralised system in the US.

If there is any conclusion to be drawn about pay bargaining structures and real wage flexibility, it is that overlapping centralised and decentralised structures combine the worst of both worlds. So, having embarked on the decentralised route, Britain's best chance of improving its unemployment/inflation trade-off would be to continue in that direction.

Andrew Sentance,
Centre for Economic Forecasting,
London Business School,
Sussex Place,
Regent's Park,
London NW1 4SA

Good news for product safety in Europe

From Mr Stephen Crampton.

Sir, Stephen Sidkin and Nigel Miller ("Stay secure on safety", July 19) appear to take a dim view of the quality of British manufacturing industry. They apparently regard requirements to supply safe goods, to warn purchasers about any particular risks, to investigate complaints and to recall dangerous products as "costly and onerous". It is not one that we share.

It is true that the European General Product Safety Directive provides (to us welcome) additional protection for consumers, although the UK is unlikely to take up all the powers which the directive sets out. But it is also good news for reputable UK manufacturers because their European competitors will now be subject to similar obligations to those set out in the UK's 1987 Consumer Protection Act. Dangerous products cross frontiers and this legislation is a boost for consumers for fair competition and for the Single Market.

Stephen Crampton,
secretary,
Consumers in Europe Group,
24 Tufton Street, London SW1

Too costly to dress up

From D A Ogilvie-Ward.

I read with dismay Clement Crisp's pompous article (Arts: "The decline and fall of elegance", July 18) about dressing up for Covent Garden.

I would love to dress up to go to Covent Garden, but as I have to buy my own ticket to attend the Royal Opera House (and also English National Opera) on a regular basis, I am only able to afford a seat in the lower or upper slips if I wish to see all the new *and* the old operas. As an office worker, there is not enough time for me to have a meal *before* the performance; and, as I have to leave promptly at the end to catch a late train home, I picnic on the stairs in the Interval (this also keeps my costs down for the evening). Besides, there are often long queues in the smoke-filled bars.

In the circumstances, I prefer to be a regular opera-goer even if it means sitting in a cheap seat – among the *real* opera buffs who go to see and not to be seen!

D A Ogilvie-Ward,
77 Topstreet Way,
Harpenden,
Herts AL5 5TY

Simplistic view of rail situation

From Dr Chris Rowley.

Sir, The FT's coverage of the railway signal workers' dispute (such as "Signal workers reach crucial turning point", July 13) is over-simplistic. It continues to ignore that:

- The RMT union has little option but to pursue the long-standing grievances of the signal workers, particularly as these workers had their own union in the past.
- If Railtrack forces a cessation of the strikes, it may not end grievances and conflict in the signal boxes.
- Fewer, larger, hi-tech signal boxes, each covering many miles of track, will greatly enhance the strategic power of the remaining signal workers in the future.

Chris Rowley,
lecturer, human resource management,
Cardiff Business School,
Aberconway Building,
Colum Drive,
Cardiff CF1 3EU

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday July 21 1994

A soft-shoe reshuffle

Mr John Major's new cabinet, announced yesterday, is not unlike the one that preceded it. The significance of the reshuffle was greater in the anticipation than the deliverance. Weeks of advance fanfare have been followed by the quiet rasp of soft shoes. Three ministers who had long been ready to leave office did so; one was dismissed for poor performance. There was rather more changing of titles and offices in the middle and junior ranks of the administration, but that is a standard way of keeping backbenchers in a state of hope of preferment. It is a whip's strategem.

This is not to say that the changes are a nullity. The new faces may be better on TV than the old. Mr John Patten was hardly a success as education secretary; Mrs Gillian Shephard, a former teacher, is likely to soothe the profession and bed down the national curriculum. She may not be a creative policy-maker, but she should be a safe pair of hands. Mr Peter Brooke, unexpectedly brought in from retirement to serve at national heritage, did so with moderate distinction. His successor, Mr Stephen Dorrell, is one of the brighter characters in the mini-drama. For him heritage may be a disappointing ticket to the cabinet room.

The move of Mr Michael Portillo to employment will test both his administrative abilities and the government's intentions on education and training. He is as right-wing as his predecessor, Mr David Hunt, was left, but the portfolio does not offer unlimited scope for demonstrating either proclivity. He will team up with Mr Peter Lilley, right-wing secretary for social security, to introduce the new Job Seekers Allowance.

Mr Portillo is succeeded as chief secretary by Mr Johathan Aitken, another Eurosceptic. Mr Jeremy Hanley, previously unknown, becomes chairman of the party. He has taken over an institution whose performance can hardly decline.

Lord Wakeham had outstayed his usefulness in the upper house. He deserved his unofficial title of "Lord Fixit" but recently too much legislation has emerged from the Lords in a broken state. His job has been subdivided. One of his successors, Viscount Cranborne, will bring a Cecil back to prominence among Conservatives; another, Mr David Hunt, may become as adept as Lord Wakeham was at smoothing troubled waters, arranging deals, spotting hazards, fixing it. Mr William Waldegrave deservedly survives, and moves to agriculture. At transport, Mr John MacGregor had for some time intimated his readiness to retire; his replacement, Dr Brian Mawhinney, is good at presentation.

At beet, yesterday's change-around marks a small but discernible step in the long battle by the prime minister to recover his administration'a authority. The previous steps are well-known. The government was blown off-course in Saptember 1992 when sterling was ejected from the exchange rate mechanism. Stability has been restored, at the cost of ceding greater influence over monetary policy to the Bank of England. The electorate is proving slow to respond to the improved economic outlook but it may do so in time. The Conservative party's divisions over Europe have been papered over.

In short, the cabinet reshuffle may be taken as evidence that the government believes it has passed through the nadir of its unpopularity. It probably has. As part of the process of regaining poise, yesterday'a moves are unlikely to harm Mr Major. Nor are they likely to prove memorable. The prime minister is doomed to continue the struggle to put a distinctive stamp on his government.

Euro-follies

The newly elected European Parliament bas got off to an unpromising start. By vetoing this week legislation to liberalise European voice telephony, the parliament has threatened a programme vital to industrial competitiveness and thereby diminished its own standing.

There appear to be three main reasons for the decision: confusion among MEPs, some of whom apparently did not realise what they were voting on; concern that liberalisation would raise residential telephone cbarges; and a broadly shared desire to demonstrate institutional parity with the European Commission and Council of Ministers.

Only the first explanation is readily acceptable, on the grounds that many MEPs are still inexperienced. The second is understandable, but wrong-headed. Technology and competition are rapidly eroding the monopoly profit structure which has long subsidised residential telephone services. Thwarting liberalisation will simply impede the European telecommunications industry's adjustment to market realities.

The sorriest aspect of the affair is that the parliament seems to think it can command respect by setting its face against economic progress. Using its powers in this way is a disservice to the electorate, whose interests it claims to represent, and invites charges of frivolity. With luck, the telecommunications package can be reassembled soon. On current form, repairing the damage to confidence in the parliament's legislative wisdom may take rather longer.

Aid to Rwanda

Even by Africa's grim record, the horror of Rwanda defies belief. In an exodus without precedent, up to 2m refugees have fled to neighbouring Burundi, Tanzania, Uganda and Zaire since early April, and as many again are now pouring across the frontiers. Perhaps a quarter of Rwanda's population is now outside the country. This tragedy demands an international response, with an urgency and on a scale well beyond the current efforts.

The tide of fleeing humanity must be fed. But it neither can nor should be housed in refugee camps on foreign soil. The flow must be reversed, and the relief effort must strike a careful balance between immediate needs and longer-term objectives, while not exacerbating the refugee problem itself.

As it is, there is a danger that the exodus could take on a logic of its own. As more people flee to Goma and other points across the borders, so more supplies from the outside world will arrive. As more aid arrives, so do more refugees.

Calls for large-scale military intervention need to be treated with caution. The lesson of Somalia is that soldiers are not enough. Their intervention should be accompanied by a carefully thought-out programme of political reform and economic reconstruction. In Somalia the absence of such a framework proved fatal. Rwanda, with its history of bitter ethnic conflict, will be no easier.

Yet there is a way in which additional, limited military assistance and more relief supplies can be combined, in an exercise aimed at stemming and then reversing the exodus. While the harrowing plight of the refugees in Goma requires immediate medical and food aid, the bulk of assistance should be directed to centres established within Rwanda. The additional troops, under UN supervision and reinforcing the Frencb presence, should carry out these operations, protecting the relief centres and, where necessary, helping to distribute the supplies.

The presence of foreign soldiers should reassure the remaining local population, and encourage the refugees to return, by allaying their fear of revenge killings by the victorious Rwanda Patriotic Front. There is no evidence that this fear is justified. Rumours of reprisals seem to have been spread by broadcasts from the retreating government, determined to leave chaos in its wake.

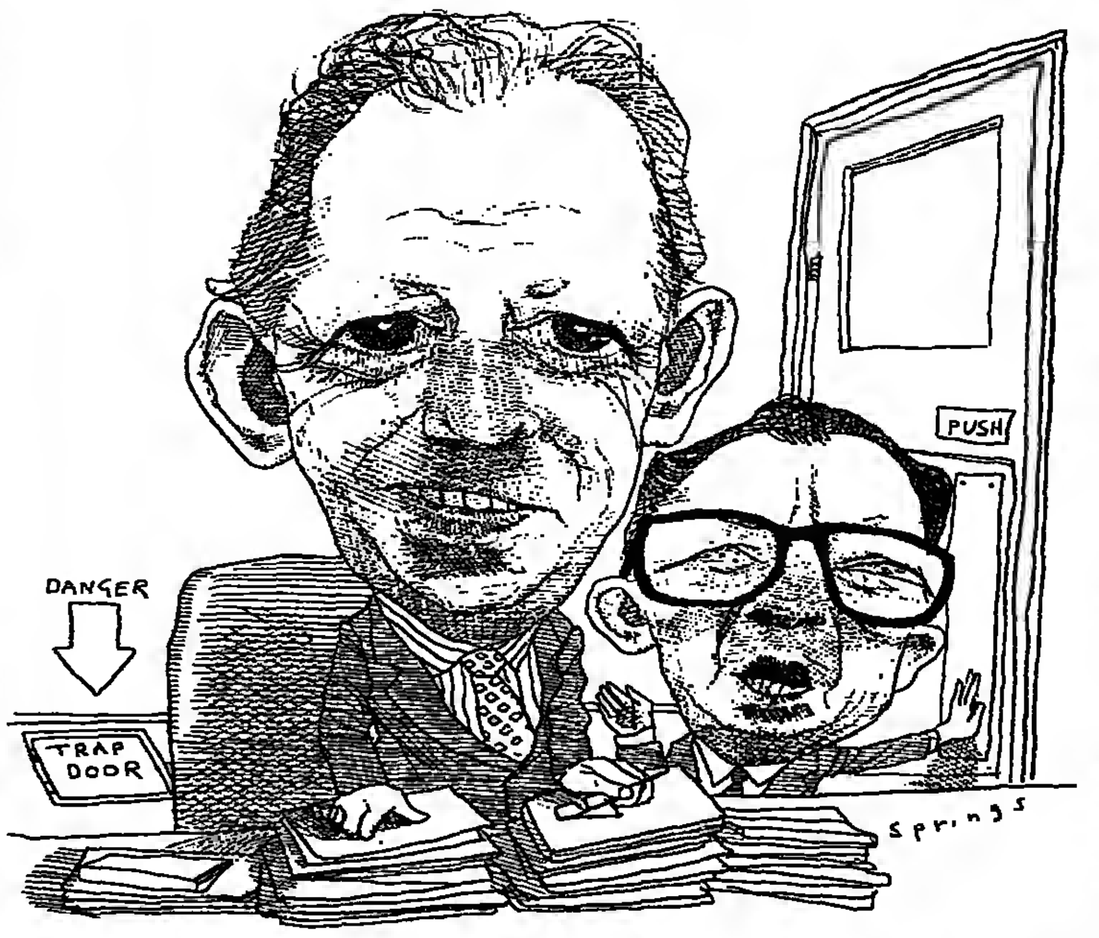
But once short-term relief has been provided, the world should take stock of Africa's deepening crisis. Unless a co-ordinated attempt involving African and other governments, tbe United Nations and aid agencies is made to help Africa help itself, the continent may be heading towards a catastrophe on an even greater scale. Horrific though it is, Rwanda is only one symptom of Africa's decline, as it pays the price of 30 years of disaster, man-made and natural.

Conflicts in Angola and Sudan drag on; states like Zaire are in chaos; others hitherto seen as stronger, such as Nigeria and Kenya, are under increasing political and economic strain. More than 4m children in Africa under the age of five die eacb year from preventable diseases.

It is more and more difficult to get Africa's crisis on to the agenda of an international community which has been discouraged by the Somali experience, and by Africa's evident marginalisation: a falling share in the world commodity market, stagnant share of trade, and tiny share (barely 1 per cent) of world investment. Before long, the more fortunate parts of the world will have to decide whether to ring-fence Africa or accept a share of responsibility for it. Rwanda should at least concentrate the mind.

Lionel Barber on the political and institutional challenges that Santer would face as European Commission president

Enter, looking for the trap-door



Europe is about to discover whether there is life after Mr Jacques Delors. In Strasbourg today, newly elected members of the European Parliament will size up Mr Jacques Santer, the safe but uninspiring choice to succeed Mr Delors as president of the European Commission.

The vote in the parliament, though not binding, will in practice determine whether Mr Santer takes over the most powerful non-elected post in Europe next January. It also offers the long-serving prime minister of Luxembourg the chance to dispel doubts about his stature and set out his own agenda for the next five years.

Speaking to Socialist MEPs on Tuesday night, Mr Santer showed he is walking a tightrope. His remarks that his policies were no different from those of Mr Jean-Luc Dehaene, the Belgian prime minister, were calculated to pre-empt parliamentary criticism of his last-minute emergence as a compromise candidate. Bnt they provoked an uproar in the UK, which vetoed Mr Dehaene as president on the grounds that he is a centralising federalist who flirts with protectionism.

A more snbstantive point is whether Mr Santer's appointment signals a weakening of the Commission, which Mr Delors turned into the driving force behind European integration, following his arrival in Brussels nearly 10 years ago.

As president of the Commission, Mr Santer takes charge of a body whose morale is low and whose mission needs rethinking. His challenge is both political and institutional: how to preserve the Commission's role as umpire, power-broker and political catalyst, and how to stand up to an increasingly assertive European Parliament and a Council of Ministers in which majority sentiment leans towards cutting the Commission down to size.

Many in Brussels are mourning the imminent departure of Mr Delors, but it is easy to forget that his legacy is double-edged. Against the grand designs of the European single market, the European Economic Area and the plans for political and monetary union must be set the polarisation of pnblic opinion, Euro-disenchantment and his own admission that ha may have overreached himself in his final years. Tha argument over the direction of European integration remains unresolved among member states: "The president of the Commission must reconcile the irreconcilable," says a fellow Luxembourger and former senior Commission official.

The immediate task facing the Santer Commission will be the preparation of the 1996 Inter-Governmental Conference, which will review the Maastricht treaty, possibly streamline decision making in an enlarged Union, and examine the use of national vetoes. Some fear a rerun of the Maastricht debate, with a polarisation of views and the British Conservative government held hostage by its Euro-sceptics. "The conference could be disaster," says one Maastricht negotiator. "It would be better to put it off until 1998."

Other practical tasks for the Commission include the absorption next year of up to four new EU member states (Finland, Austria, Sweden and Norway) as well as planning for the next round of enlargement in eastern Europe, Cyprus and Malta; monitoring and eventually judging whether member states have met the strict criteria for joining a European monetary union; and preparing for the next five-year budget when the present Delors II package expires in 1999.

Sir Leon Brittan, the senior British commissioner, has argued in his recent book on the future of the EU that many of these issues are linked, and may be resolved only through a series of trade-offs, in which the Commission could play a pivotal role in identifying and brokering compromises.

For instance, the degree to which the "Club Med" states of Greece, Portugal and Spain can preserve their privileged status in the next EU budget negotiations may determine their support for membership of the Czech Republic, Poland and Hungary at the turn of the century.

In the same vein, German enthusiasm for swapping the D-Mark for a single European currency may depend on French agreement to expansion of the EU eastwards and a political union far more ambitious than the present loose co-operation among governments over foreign and defence policy. "There must be a compromise on these matters," saye a German official.

Mr Delors showed on several occasions in the past 10 years – notably in his two budget packages,

Much will depend on whether he can grow in his job, like Delors – who, as Santer pointed out, was also second choice in '84

his early support for German unification and, latterly, in his white paper on competitiveness, jobs and growth – that the Commission has a special role in nudging member states towards Europe's collective interest.

Yet Mr Delors' powers of persuasion have clearly ebbed in the past two years as suspicion of the Commission has grown – not just in the UK, but also in France, where officials rail against its pretensions in foreign policy, and work to weaken its primacy in trade policy. Others in Brussels detect cases of "creeping unilateralism", as countries invoke their own national interests ahead of the common interest, most notably in Greece's imposition of a trade embargo on neighbouring Macedonia.

In seeking to maximise his authority, Mr Santer starts off with two disadvantages: he comes from the smallest state in the union and he was nobody's first choice as Commission president. Better-known candidates such as Prime Ministar Ruud Lubbers of the Netherlands, Prime Minister Dehaene of Belgium, and Prime Minister Felipe González of Spain either were blocked or declined to enter the race.

Much will depend on whether be can grow in his job, like Mr Delors, who, as Mr Santer pointed out this week, was also everybody's second choice in 1984. It will also depend on his ability to reform the Commission.

It is symptomatic of the mistrust of the Commission by member states that, 35 years after the foundation of the European Union, the president still does not have the power to choose his own team. Commissioners are still regarded as national representatives and therefore national appointments.

Sir Roy Denman, a former EU ambassador in Washington, says: "Governments do not like appointing people to the Commission who are too good. They want to control things from capitals and are happy to send second-raters to Brussels. The exception is France, which is why the French effectively run the Commission."

Mr Delors has always been at pains to dispel the notion that he was a creature of the French government. Occasionally, as in the final stage of the Gatt trade talks, he even distanced himself discreetly from Paris. But the French language and culture still permeates the Brussels bureaucracy, so much so thet the Balladur government's minimum requirement was thet Mr Delors' successor should be a Francophone.

The Santer Commission is likely to contain hold-overs from the Delors era. Advocates of an open, free-trade-oriented Commission will welcome the desire of Sir Leon Brittan to stay on in his job as chief EU trade negotiator. And despite the odd mis-step, Mr Karel Van Miert, the Belgian competition policy commissioner, remains one of the most popular and effective operators in Brussels.

Less appealing for ovarworked Eurocrats is the prospect of another five-year term for Mr Martin Bangemann, the talented but relaxed German industry commissioner. Many will regret, however, the expected departure of Mr René Steichen, the Luxembourger who has done yeoman work on implementing tbe Common Agricultural Policy reforms and laying the ground for further changes in anticipation of enlargement into eastern Europe.

'The next president must give back the organisation a sense of pride. He must get rid of the abuse and restore morale'

Finding enough work to keep Mr Santer's colleagues busy may be the toughest job for the new Commission. Thanks to the prospective enlargement of the EU next year, the number of individual commissioners should rise from 17 to 21, with one extra representative from the Scandinavian states and Austria. Moreover, each commissioner has his or her own cabinet, which leads to political appointees creating rival power-centres to the career civil servants in the bureaucracy.

"The next Commission president has an awesome task," says a senior EU civil servant. "He must give back the organisation a sense of pride. He must get rid of the abuse and restore morale. It's anarchy at the moment."

One logical reform would be a triumvirate at the top, with power divided between the president and two vice-presidents, one responsible for the single market and one for external affairs. Each would have "junior" commissioners who could take over specific portfolios such as telecommunications and the envirooment, or Russia and eastern Europe, external trade and development policy.

This leads into dangerous territory. When Mr Delors suggested streamlining the Commission in early 1992, be was accused of harbouring plans to rule Europe. The prospect of smaller member states losing their commissioner or having obviously second-rank appolntees provoked an outcry.

Another unresolved question concerns the Commission's monopoly right to propose legislation, its willingness to use it to complete the single market, and its ability to develop as a regulator and co-ordinator now most of the legislation in the 1992 programme is complete. The desire to exercise these functions sits uneasily alongside the post-Maastricht emphasis on subsidiarity – the devolution of decision-making to the lowest appropriate national, regional and local level – a principle to which Mr Santer has declared he is committed.

A senior Commission official warns that there are risks in applying subsidiarity too rigorously: "The credibility of the European Union depends on delivering the practical results of what it has decided to do. The internal market exists in theory, but it must be created in practice, and you do not do that through an act of God."

Thus EU governments face a conundrum as they brace themselves for the next phase of the single market in areas such as telecommunications and energy. This will require member states to make significant adjustments, either by applying mutual recognition of national rules or by agreeing to a second burst of Euro-legislation to barmonise competing systems, which in turn will require a strong central regulator.

The lesson of the Delors era is that member states are uncomfortable with an overactive legislative programme and with the idea of the Commission as a government-in-waiting in Brussels. Countries such as the UK and France are particularly resistant to the idea of the Commission developing a separate foreign policy-making function. The high-water mark for EU legislation may turn out to be the 1992 single market programme.

The temptation is to restrict the Commission's ambitions to its traditional tasks: principally conducting trade policy, monitoring the Common Agricultural Policy; enforcing the Treaty of Rome in areas such as competition and state aid; and dispensing regional aid.

Yet as Mr Niels Ersboll, the outgoing secretary-general of the European Council, pointed out in a recent article in the foreign policy magazine International Affairs, the Commission role as an "implementing government" is under threat not only from member states, which have an interest in deciding how lightly or strictly EU law is applied, but also from the European Parliament as co-legislator.

In Strasbourg this week, MEPs blocked the Council's decision to liberalise the market in voice telephony by 1998 – the first use of such powers under tbe Maastricht treaty. Mr Ersboll argues that the institutional power-struggle could become even more acute in an enlarged Union.

Some member states such as the UK might relish the prospect of the Commission in retreat, but the price could be high if this means lax enforcement of existing rules or a condominium between integrationist-minded member states led by Germany. "We are not entering a trap-free zone," admits one British official.

OBSERVER

Hanley gets a handful

■ Will new Tory party chairman Jeremy Hanley again display his Dennis the Menace cufflinks? The nastily naughty Dennis is one of the UK's most well-established comic characters. Hanley'a links caused a stir at the Northern Ireland political talks during his stint as a junior Northern Ireland minister. Children's entertainment seems to have been a recurrent theme of those tense negotiations.

During them, Hanley was said to have been accused of introducing "Blue Peter documents". The term derives from another ageless feature of British childhood, the BBC television programme *Blue Peter*, whose presenters instruct children how to fashion wonderful objects from old detergent bottles and glue, nsing the catch-phrase "here's one I made earlier".

Hanley's accountancy training will be useful for a party with a £17m debt. But has he enough spare time? What with constituency work, Mensa membership, his cookery, chess, cricket, languages, theatre, cinema, music and golf interests, surely *something* has to give.

Hourglass figure

■ So much for Sweden's famed sexual libertarianism. Björn Rosengren has been forced to quit as head of the country'a white-collar union, the Confederation of Professional Workers, following revelations that he visited a topless club – three years ago.

Rosengren dropped in at the Tabu club along with an American guest, but says he left – after less than an hour – when he realised what sort of establishment it was.

Some hour. His bill was for SKr55,000, or $7,200, which even by Scandinavia's expensive standards is pushing the boat out. His lawyer managed to reduce the outlay to below SKr10,000. What sank Rosengren was the outcry from his membership, 50 per cent of whom are women. Some taboos die hard, it seems.

Dog-eared

■ Tough luck on DPR Publishing, which today brings out the 1994 edition of the Whitehall Companion, an invaluable "Who's Who" for government departments and quangos; it's already out of date. Yesterday's UK government reshuffle means moves not just for ministers but also their advisers.

Life will certainly change for Eleanor Laing, adviser to John MacGregor, outgoing transport secretary. The Companion discloses that she has advised MacGregor on a diverse range of subjects; she was his aide when he was at education and stayed by him when he was Leader of the Commons, ending up in transport.

'I told him seat belts wouldn't do him any good'

Cliff Grantham, special adviser to departing education secretary John Patten, may also be casting around. A former BBC radio news reporter and lobbyist, he also advised Patten as minister of state at the Home Office.

Peter Brooke enjoyed the services of two advisers at the Department of National Heritage. Dominic Loehnis came from the Sunday Telegraph, but could always turn a hand to his first calling, as a lyricist. Bryan Jefferson may survive the change of ministers, since he brings professional skills to his role as architectural adviser.

Anyone out there with special knowledge of transport, education or the national heritage? Get your CVs in fast.

Asian high noon

■ With one previous winner in jail and another having resigned from a senior sporting post amid allegations of cheating, the Asian of the Year award has something of a chequered past.

Tonight, at London's Grosvenor Hotel, the 1994 plaudit is likely to go to Ghulam Kanderboy Noon, owner of Noon Products, which has successfully cornered a niche in Indian frozen foods, numbering Sainsbury among its customers. The gong is presented by the UK publication, Asian Who's Who International, to high-achievers in the diaspora.

Previous winners have been Nazmu Virani – now spending 30 months inside one of Her Majesty's less salubrious hostelries for his role in the Bank of Credit and Commerce International fraud – and Imran Khan, former Pakistan test cricket captain.

Khan recently resigned from the International Cricket Council, after admitting once using a bottle-top to tamper with a cricket ball.

Perhaps the organisers are feeling the need to polish up the award's image. That could explain the presence of some big noises, including Michael Heseltine, UK trade and industry secretary, as chief guest. He's joined by Labour's Margaret Beckett and Liberal Democrat leader Paddy Ashdown.

Associates of Noon describe him as "squeaky clean"; so maybe the choice is right for a change.

Unreal hopes

■ Why are politicians unable to resist piggy-backing on the success of national sporting heroes? Argentine president Carlos Menem'a designatioo of Diego Maradona as a "roving ambassador" after tha 1990 Rome football World Cup now looks risible.

Brazil's government is now doing its damnedest to repeat the error, by connecting the Brazilian team's success in the US World Cup to hopes that the country's new Real currency will also etruggle through to eventual victory.

Don't bank on it.

For the thousands of Brasília residents who cheered their returning soccer stars at the capital's airport late on Tuesday immediately started booing when three government ministers stepped on to the runway. Looks like a penalty for someone.

Tune in, drop out

■ Reference writers seeking a safely ambiguous turn of phrase could do worse than consult the Edinburgh Festival Theatre's list of coming attractions: "This orchestra fascinates by its unbelievable possibilities of interpretation."

FINANCIAL TIMES
Thursday July 21 1994

Major's biggest reshuffle gives right a stronger cabinet voice

Surprise chairman for party as four ministers lose jobs

By Philip Stephens, Political Editor, in London

Four British cabinet ministers lost their jobs yesterday to Mr John Major's biggest resbuffle since he became prime minister in 1990.

The shake-up came on the eve of the certain choice by the opposition Labour party of Mr Tony Blair as its new leader, to replace Mr John Smith, who died in May. Mr Blair, whose election will foreshadow a drive to shift Labour further into the political centre ground, is expected to be joined by Mr John Prescott as deputy leader.

Mr Major's reshuffle was intended to put in place most of the Conservative team which will fight the general election due by mid-1997. But it left scope for further changes before then. Mr Douglas Hurd, who remained as foreign secretary, is widely expected to step down within the next two years.

Overall, the changes pointed to a shift to the right by Mr Major with Mr Michael Portillo, the Thatcherite standard-bearer, promoted from the Treasury to the post of employment secretary and Mr Jonathan Aitken, another right-winger, entering the cabinet as chief secretary.

Some Conservative MPs were suggesting that this combination – alongside Mr Peter Lilley at social security – could herald the start of another sharp squeeze on spending on the welfare state. The number of right-wingers in the cabinet – dubbed the "bastards" by Mr Major – has now risen from four to five.

The biggest surprise of the reshuffle, however, was the appointment of Mr Jeremy Hanley, formerly the armed forces minister, as Conservative party chairman, where he will play a pivotal role in planning general election strategy. He replaces Sir Norman Fowler, who submitted his resignation earlier this year.

The elevation of Mr Hanley, widely regarded as on the centre-left of the party and as a protegé of Mr Chris Patten, the former party chairman and present governor of Hong Kong, surprised and irritated Tory Eurosceptics.

Mr Hanley, a pro-European and a liberal on social issues, will sit in the cabinet as minister without portfolio. He will be joined at Conservative Central Office by a new team of deputies led by Mr John Maples, a former Treasury minister and now a senior executive at Saatchi and Saatchi, the advertising agency.

Among the other main promotions, the left-leaning Mr Stephen Dorrell entered the cabinet as heritage secretary and Mr Brian Mawhinney as transport secretary. Viscount Cranbourne also joined the cabinet as leader of the House of Lords.

The principal casualty was Mr John Patten who was sacked as education secretary. In a terse letter to Mr Major, Mr Patten did little to disguise his anger at the decision. Mr Peter Brooke resigned from the heritage department while Mr John MacGregor, transport secretary, and Lord Wakeham, leader of the House of Lords, had expected to be asked to leave the cabinet.

Mrs Gillian Shepbard was moved from agriculture to education. She is a close political ally of Mr Major and will be expected to improve relations between the government and teachers before the next general election.

Mr David Hunt, the former employment secretary, replaced Mr William Waldegrave as public services minister. But Mr Hunt was given also the chairmanship of a number of key cabinet committees previously run by Lord Wakeham.

Calculation over glitz Page 8 ● Brooke's legacy Page 11
Editorial Comment and Observer .... Page 13

UK MPs issue rebuke over Pergau dam

By James Blitz in London

Lord Younger, the former UK defence secretary, was condemned yesterday by a prominent committee of members of parliament for "reprehensible" and "wholly inappropriate" conduct when making an offer of aid for Malaysia's Pergau dam in the late 1980s.

In one of the toughest official criticisms of government policy in recent times, the all-party House of Commons foreign affairs committee accused ministers of a "serious failure" in the co-ordination of policy over the Pergau dam in the late 1980s.

The report on Britain's offer of £234m ($362m) of aid for Pergau, which has taken six months to complete, did not entirely spare Lady Thatcher, the former prime minister, who refused to give evidence to the committee.

It says ministerial replies – several of which were made by the former premier herself – were "literally true, though less open and less informative than the House has a right to expect".

In one instance, a written parliamentary answer from Lady Thatcher's office was judged as "not fully answering the questions" raised by MPs on funding for the dam.

There was strong criticism, too, of the tactics used by a consortium of companies – including Balfour Beatty and General Electric Company – when they tried to win a contract for the dam in March 1989.

The report says the consortium put pressure on Lady Thatcher to make a firm offer to the Malaysians to build the dam "on the basis of information which was incomplete". Within days, the government found the consortium's costs had jumped, requiring substantial additional expenditure for the Overseas Development Administration's hudget.

At the heart of the committee's inquiry was the issue of whether the British government bad offered aid on condition that Malaysia bought £1.5bn of British defence equipment.

Such a link would be contrary to British government guidelines.

The committee agreed that a protocol signed by Lord Younger linking the two deals "was the only instance of which we are aware where the policy proscribing conditional linkage . . . has been breached".

The MPs judged it "reprehensible" that the Ministry of Defence had condncted negotiations on the protocol which were within the remit of the Foreign Office without informing Lord Howe, then foreign secretary.

It was "very regrettable" that Lord Younger did not feel it "appropriate to consult, even to inform, London before concluding the agreement with Malaysia". According to the MPs, Lady Thatcher and Lord Howe successfully disentangled the link between aid and the arms deal after Lord Younger's return.

The committee did agree however that a mathematical formula linking the size of the two deals was an enduring feature of all the contracts signed between the two governments between 1988 and 1991. Mr Peter Shore, the Labour MP who chairs the committee, confined himself to saying that the formulahad played a "shadowing role" in the affair.

Labour MEPs to resist Santer candidacy

By Lionel Barber in Strasbourg

The powerful British Labour party group in the European Parliament last night declared that it opposed Mr Jacques Santer as the next president of the European Commission.

The Labour stand, backed by Belgian and French socialists, fuelled the atmosphere of uncertainty ahead of today's vote to endorse Mr Santer's candidacy. The mood was heightened hy MEPs' new assertiveness at their inaugural parliamentary session.

The vote for Mr Santer is part of a hroad power struggle between the parliament and other EU institutions, which is expected to come to a head in 1996 when the Union reviews the Maastricht Treaty. The treaty gives MEPs the right to approve or reject the Commission and to throw out certain EU laws.

MEPs used this power for the first time on Tuesday when it voted down the Council's decision to liberalise voice telecommunications in Europe by 1998.

Supporters of Mr Santer, the long-serving Luxembourg prime minister, seemed confident that he would achieve the simple majority required today, hut his last-minute emergence as a compromise candidate to succeed Mr Jacques Delors irritated MEPs clamouring for closer consultation with EU governments.

Ms Christine Crawley, deputy leader of the Labour group, said MEPs had been presented with a *fait accompli*. "We are voting against Mr Santer because of the lack of consultation."

Ms Crawley acknowledged that the Labour group's opposition could change if the Euro-parliamentary socialist group decided to endorse him today. Labour has 62 of 198 votes in the group.

Mr Klaus Hänsch, the new president of the European Parliament, made clear in his maiden speech that MEPs held the power to derail the Santer candidacy. He told MEPs: "Legally speaking this is only a consultation, hut politically speaking any candidate that does not receive majority support from this parliament will fail. This is a measure of the power and influence we have."

Mr Santer, a 57-year-old Christian Democrat and one-time MEP, has been lobbying heavily for support from members of the Strasbourg assembly, appearing before the parliament's two biggest groups on Tuesday to outline his views on Europe.

He spelt out his commitment to an integrated Europe and said he intended to lead a strong Commission, pursuing social and environmental policies and a single currency. He also strongly supported the principle of "subsidiarity" and spoke out against concentrating power in Brussels.

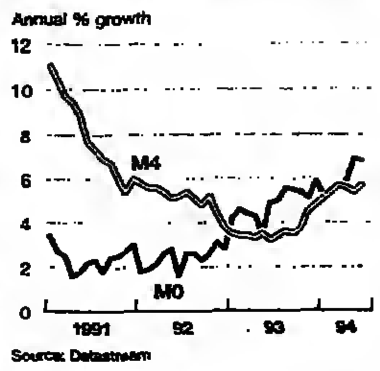
Sizing up Mr Santer, Page 13

THE LEX COLUMN

Growth without pain

FT-SE Index: 3077.2 (-14.1)

UK money supply



Source: Datastream

There is a well-earned bint of self-congratulation in the minutes of the UK chancellor's June meeting with the governor of the Bank of England. Both said that the economic situation was "favourable" with steady growth and low inflation. That is doubtless a fair assessment of the present but it says little about the future. The task now is to maintain this benign environment: the risk, underlined hy yesterday's crop of economic indicators, is that the economy may be set to grow too quickly.

Retail sales grew 1 per cent hy volume in the last quarter despite April's tax increases. Building society lending is picking np, which must offset some recent worry about the housing market. In the background is the nascent economic recovery in Europe which should boost exports, especially at sterling's current low exchange rate. The economy's ability to withstand tax increases may also encourage hitherto reluctant companies to invest. So the governor's threat to raise interest rates if the pace of activity picks up could well be put to the test.

The question for the markets will be whether this can occur without the turmoil that followed the Federal Reserve's tightening in February. At least hoth gilts and equities have fallen back since then. Equities would have the consolation that the economic strength which prompted monetary tightening should also do wonders for corporate earnings. Gilts might prefer the first, pre-emptive tightening to be larger than the quarter point measured out hy the Fed. The trouble is that the glare of publicity which now surrounds monetary policy is more conducive to compromise than bold gestures.

British Airways

BA's passenger figures have recently shown some encouraging gains but two dark clouds are drifting across its flightpath. USAir's second-quarter profits increase disguises its dreadful plight. The fall in fuel costs which flattered its latest figures will be rapidly reversed this quarter while staff costs are still rising at an alarming rate. USAir accepts it needs a "permanent and substantial" reduction in operating costs. The strength of union representation will make conventional cost-cutting hard to achieve. United Airlines' blueprint for swapping labour concessions for employee ownership may therefore appeal. But such a scheme would cause hig problems for BA. Either BA's 24.6 per cent shareholding would be heavily diluted or it would need to inject substantial funds to retain it at that level. BA may also worry that a rise in employee representation would lessen its own influence over the future of USAir.

BA's other hugbear of the moment is that the European Commission seems set to wave through the state bale-out of Air France with minimal conditions. That would be little short of scandalous given the EC's supposed commitment to free markets. Air France would receive FFr20bn of financial aid, which is equivalent to about 60 per cent of BA's market value. State subsidies on that scale promise to do for the European aviation industry what Chapter 11 achieved in the US. Too much capacity will be kept in the air, distorting competition and destroying profitability.

David S. Smith

Making paper should be a relatively predictahle business since demand is so closely linked to the economic cycle. But the competitive environment can cbange extraordinarily quickly as David S. Smith's annual results make clear. Last year, paper makers were obsessed with price battles with their customers. This year, they have watched with a mixture of excitement and alarm as pulp prices have shot skywards. The scale of the rise bas made it easier to pass on the pain to the end users. But, as Inveresk warned earlier this month, that has not been universally possible.

Smith has done well to avoid the margin squeeze on most paper grades. The Kemsley mill is complete and can take full advantage of the market strength. Recent acquisitions are already proving their worth. Not only is Smith benefiting from the pick-up in demand across Europe; it can also gain from the greater market penetration for its recycled products.

Yet the 4 per cent rise in Smith's shares yesterday seems excessive after the company's 33 per cent outperformance against the market over the past year. Smith's tax charge will double from last year'a 11 per cent, pegging earnings growth. Besides, there is no guarantee that the benign trading climate for recycled paper will continue. The absurd German recycling scheme, which has distorted European recycled paper prices for years, has finally been adjusted. But insanity could easily break out once again.

Futures trading

The battle lines in global futures trading are being drawn. In one camp are the Chicago Board of Trade and London's Liffe. Yesterday they agreed to explore linking their electronic out-of-hours trading systems. In the other camp is Globex – an alliance embracing the Chicago Mercantile Exchange, Germany's DTB and France's Matif as well as Reuters, the financial information group. The two groups have rather different visions. CBOT aod Liffe, reflecting their positions as the largest exchanges in their respective time zones, understandahly do not wish to lose control of their futures contracts to rival exchanges. As a result, they favour loose hilateral alliances. Both are also committed to the system of open outcry. So electronic trading is envisaged mainly as a way of extending their services outside normal opening hours.

Globex is a tighter alliance, requiring a greater degree of commitment from its members. That is one of the reasons CBOT left it earlier in the year and Liffe refused to join. Electronic trading also plays a more central role, with Globex ultimately envisaged as a round-the-clock system.

In tbe medium term, hoth approaches can coexist. The only contract over which there is serious competitioo is the bund future. Moreover, Globex's slow start shows that global futures trading will not devclop quickly. But a fully screen-based trading system looks like the more cost-effective option in the long run. If so, open outcry could find itself consigned to history in the way face-to-face share trading was in the 1980s.

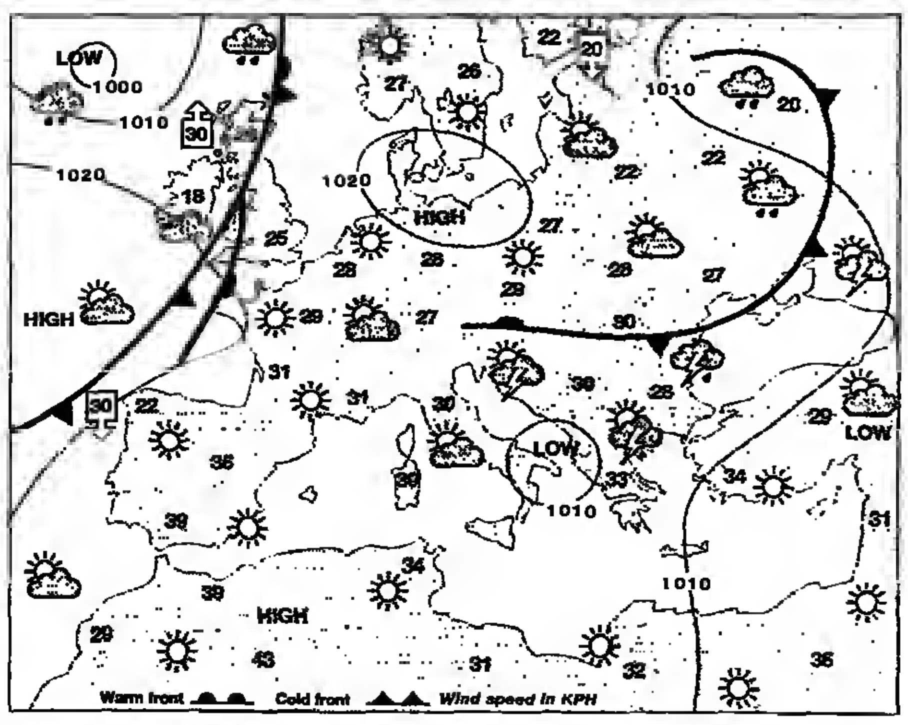
FT WEATHER GUIDE

Europe today

High pressure systems will maintain seasonal conditions from Scandinavia to Spain. Temperatures will be somewhat higher than yesterday in France and the Benelux. Heavy rain and thunder showers will cross the northern Balkans. Hungary and the former Yugoslavia will have a lot of rain with a risk of flooding. Low pressure north of Moscow will produce cloud and rain over Russia with scattered thunder storms near the Black Sea. The south-eastern Mediterranean will remain dry and warm. Western areas of Great Britain will stay cloudy and unsettled but England will be warm and sunny.

Five-day forecast

Tropical temperatures will spread northwards to Belgium tomorrow before thunder showers produce temporary cooling during the weekend. Much of Europe will stay dry and warm although Scandinavia will become very unsettled. The western Mediterranean will have a heat wave and eastern regions will be warm and sunny. Thunder storms should develop over parts of Greece and Turkey.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	38
Accra	thund	27
Algiers	sun	35
Amsterdam	sun	27
Athens	fair	33
Atlanta	thund	32
B. Aires	rain	18
B.ham	fair	23
Bangkok	shower	33
Barcelona	sun	29
Beijing	fair	33
Belfast	drzzl	18
Belgrade	fair	26
Berlin	fair	28
Bermuda	cloudy	32
Bogota	cloudy	20
Bombay	shower	29
Brussels	fair	29
Budapost	thund	30
C.hagen	sun	24
Cairo	sun	37
Cape Town	sun	14
Caracas	fair	33
Cardiff	cloudy	21
Casablanca	sun	27
Chicago	thund	30
Cologne	fair	30
Dakar	fair	32
Dallas	fair	36
Delhi	shower	29
Dubai	sun	40
Dublin	drzzl	18
Dubrovnik	thund	30
Edinburgh	cloudy	22
Faro	sun	28
Frankfurt	fair	31
Geneva	fair	26
Gibraltar	sun	31
Glasgow	drzzl	20
Hamburg	sun	27
Helsinki	shower	20
Hong Kong	rain	32
Honolulu	shower	32
Istanbul	fair	30
Jakarta	cloudy	32
Jersey	sun	20
Karachi	cloudy	30
Kuwait	fair	44
L. Angeles	fair	26
Las Palmas	sun	26
Lima	cloudy	21
Lisbon	fair	28
London	fair	26
Lux.bourg	fair	28
Lyon	fair	28
Madeira	sun	25
Madrid	sun	36
Majorca	sun	32
Malta	fair	31
Manchester	fair	21
Manila	shower	31
Melbourne	shower	13
Mexico City	shower	21
Miami	thund	32
Milan	fair	29
Montreal	cloudy	30
Moscow	thund	20
Munich	fair	27
Nairobi	fair	22
Naples	thund	30
Nassau	thund	32
New York	fair	33
Nice	sun	28
Nicosia	sun	34
Oslo	fair	26
Paris	fair	29
Perth	shower	18
Prague	fair	27
Rangoon	rain	29
Reykjavik	drzzl	14
Rio	fair	26
Rome	thund	31
S. Frsco	fair	21
Seoul	fair	35
Singapore	cloudy	32
Stockholm	fair	26
Strasbourg	fair	29
Sydney	shower	17
Tangier	sun	29
Tel Aviv	sun	31
Tokyo	thund	30
Toronto	thund	32
Vancouver	sun	24
Venice	shower	28
Vienna	cloudy	28
Warsaw	sun	27
Washington	fair	31
Wellington	rain	10
Winnipeg	shower	23
Zurich	fair	25

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1994
Thursday July 21 1994

IN BRIEF

BankAmerica advances 8%

After-tax profits at BankAmerica advanced 8 per cent in the three months to the end of June, as the San Francisco-based bank continued to reflect the Californian economy's slow emergence from recession. Page 18

AGF may sell bank stake
Assurances Générales de France (AGF), the French insurance company to be privatised in the autumn, is considering selling its 43 per cent stake in Banque Française du Commerce Extérieur (BFCE), the specialist banking group. Page 16

Alcan of Canada sells Australian stake
Alcan Aluminium of Canada has sold its 73.3 per cent holding in Alcan Australia via an international secondary offering worth US$245m. Meanwhile, Alcan Australia announced a return to the black despite big production cuts. Page 17

Ring of steel in South Korea
Pohang Iron and Steel, South Korea's dominant steel company, plans to expand its production capacity in an attempt to block the Hyundai group from entering the steel sector. Page 17

Positive quarter for US drugs groups
US drugs groups reported positive second-quarter figures on top of double-digit gains in sales of prescription drugs in the US. Only Pfizer warned that this year's profits would fail to match estimates. Page 16

MCI rises 43%
MCI Communications, the second largest US long distance telecommunications company, reported a 43 per cent rise in second quarter net income, helped by growth in the consumer, business and global markets. Page 18

Futures exchanges look at link-up
The Chicago Board of Trade and the London International Financial Futures & Options Exchange, the largest and third largest futures exchanges, plan to explore the feasibility of linking their after-hours electronic trading systems. Page 20

David S Smith pleases market
Shares in David S. Smith Holdings jumped 22p to 550p after the UK paper, packaging and office supplies group reported better-than-expected results. Page 21; Lex, Page 14

A brush-up for bookies
All the main chains of British betting shops are planning to refurbish their shopfronts following the government's decision to ease restrictions. Page 21

Flat performance from Eve
Eve Group, the USM-quoted civil engineering group, blamed sluggish trading conditions in the construction industry for a flat performance in the year to March 31. Page 22

Monsanto seeks to allay fears
Monsanto, which makes the milk-boosting dairy hormone BST, yesterday sought to counter fears about its use, saying it had not affected milk consumption and was reaping dividends for farmers. Page 26

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW	849	+	14
Beiersdorf	975	+	27
Degussa	492.5	+	20.5
GEHE	564	+	11
Wella	952	+	14
Falls			
Asko	986	−	22
NEW YORK ($)			
Falls			
Caterpillar	107¼	−	2
Compaq	32	−	1⅛
Intl Game Tech	20¾	−	1⅞
Lotus Development	31¼	−	1⅝
McDonnell Doug	115¾	−	3¼
Pfizer	59⅞	−	2⅛
PARIS (FFr)			
Rises			
Docks de France	866	+	26
EBF	950	+	44
Prin Printemps	806	+	30
Promodes	944	+	42
SLIC	770	+	60
Falls			
Bancaire Comp	526	−	31
TOKYO (Yen)			
Rises			
Ishihara	500	+	51
Kaneo	805	+	100
Mitsui Wharf	1390	+	120
Nihon Nosan	549	+	17
Oriental Yeast	1390	+	110
Falls			
Jomo Twisting	420	−	30

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
AMEC	111	+	8
Argyll	259	+	8
Black (Peter)	270	+	7
Creighton's Nat	233	+	8
Essex Furniture	212	+	12
Jupiter Tyndall	287	+	9
Kwik Save	557	+	20
M & G Group	933	+	30
McKay Sec	187	+	16
Mercury Asset	619	+	21
Perpetual	1068	+	33
Pincat	301	+	21
Smith (David S)	550	+	22
Smith New Court	387	+	12
Utd Biscuits	316	+	10
Utd Friendly B	572	+	32
VSEL	908	+	34
Falls			
AIM	120	−	26
Eve Group	383	−	25
Gibbon Lyons	132	−	13
Hadleigh	105	−	5
Mirror Group	136½	−	5½
Wellcome	615	−	16

Compaq soars and gains share from PC rivals

By Louise Kehoe in San Francisco

Compaq Compnter yesterday reported a 53 per cent jump in sales for the second quarter as the US personal computer manufacturer continued to win market share from competitors.

The company shipped a record number of computers in the quarter to reach revenues of $2.5bn up from $1.63bn in the same period of 1993. During the quarter it also introduced a record number of products, from high-performance notebook computers to servers for computer networks. Net income more than doubled to $210m, or 78 cents per share, from $102m or 40 cents per share.

Compaq's results came one day ahead of IBM's. The industry leader is today expected to unveil strong earnings for the quarter, in contrast to the heavy losses sustained in the same period of 1993, when it took an $8.9bn restructuring charge.

Analysts estimate that IBM's quarterly PC revenues grew by about 10 per cent, suggesting it is losing ground to Compaq, which aims to overtake Apple Computer and IBM to become the largest seller of PCs by 1996.

Compaq's figures were in line with Wall Street projections but the company's stellar performance over the past year has heightened expectations and its stock was trading at $32 in mid-session yesterday, down from Tuesday's close of $33⅛.

"The growing worldwide acceptance of the Compaq brand has helped propel the company to another record sales quarter," said Mr Eckhard Pfeiffer, president and chief executive.

Calming investor concerns that PC market growth may be on the wane, Compaq said it anticipated growing demand in the second half of the year. The company is building new production lines to expand its operations worldwide.

Inventories stood at $2.24bn at the end of the second quarter, up from $1.12bn at the end of 1993. Mr Daryl White, chief financial officer, said this was in anticipation of strong demand, particularly in the fourth quarter.

"Our inventory level, in terms of weeks of inventory, has not increased from the second quarter of last year," he added.

Compaq also announced partnerships aimed at new market segments. Compaq and PictureTel, a video conferencing equipment company, have formed an alliance for the design and manufacturer of PC-based "personal conferencing" products. Microsoft, the leading PC software company, has teamed up with Compaq to develop video servers for interactive television applications. Compaq has also announced a joint venture with Oracle to develop database software for Compaq servers.

For the half year Compaq reported revenues of $4.8bn, up from $3.2bn in the first half of 1993. Net income more than doubled to $423m, against $204m, while earnings per share rose to $1.59 from 81 cents.

USAir faces big losses despite positive quarter

Richard Tomkins in New York

USAir, the struggling US carrier in which British Airways holds a 24.6 per cent stake, yesterday reported a small increase in net profits, to $13.8m from $5.8m, in its second quarter. However, it still looks set to end the year with heavy losses.

The company operates mainly in the north-east of the US, where it faces tough competition from Continental Airlines, Sonthwest Airlines and other low-cost carriers. Earlier this year, it had to slash fares to win back passengers.

Yesterday USAir said its low-fare strategy had been vindicated. The increase in passenger numbers had more than outweighed the effect of lower fares. Total revenues rose by 3.5 per cent, to $1.72bn from $1.69bn.

The airline also said its attempts to increase prodnctivity had succeeded in cutting operating costs per available seat mile from 11.12 cents to 10.87 cents.

However, the second quarter is traditionally USAir's best because of seasonal factors, and it acknowledged that its cost levels were still too high to enable it to show a profit for the year.

In the first quarter, the airline lost $196.7m and warned that its full-year losses would be even worse than last year's $349m.

British Airways has invested nearly $400m in USAir, and was dne to invest another $450m between now and 1988. However, in March it announced it would not commit any more funds to the US airline until it improved its financial performance.

Last month, USAir announced it would seek to take $1bn a year out of operating costs by 1996 through efficiency improvements and cuts in labour costs. However, it has yet to reach an agreement with its unions.

USAir has indicated it has enough cash to take it into next year. However, it is six years since the airline made a profit, and it is widely regarded by industry analysts as one of the two large US airlines least likely to survive another wave of bankruptcies. The other is Trans World Airlines.

After preferred divideods, losses per share were 0.9 cents compared with 23 cents last time. For the first six months, net losses rose from $55.2m to $182.8m, excluding the effect of accounting changes.

Lex, Page 14

Retail jump for Sears Roebuck

By Richard Tomkins in New York

A strong increase in profits from its revamped stores helped Sears Roebuck, the US retailing and insurance group, to lift underlying net profits by nearly 10 per cent to $503.4m in the second quarter.

Operating profits in the stores division shot up 23 per cent from $162.5m to $199.3m, driven by an 11 per cent increase in sales to $7.6bn. Under the leadership of Mr Arthur Martinez, chief executive since 1992, Sears Roebuck is well into a store remodelling programme.

The company said cost-cutting measures initiated over the past year had also helped retailing results. Selling and administrative expenses as a percentage of revenues fell from 26.8 per cent to 26.6 per cent. But the effect was offset by the costs of an extensive advertising campaign, so the gross margin was unchanged at 28.9 per cent.

The international stores, comprising Sears Mexico and Canada, cut their losses from $5.2m to $800,000.

Gains on the retailing side were partly offset by a decline in the contribution from Allstate, the insurance company of which Sears Roebuck owns 80.1 per cent. Results for this side of the business – reported separately yesterday – showed net income after minority interests falling from $371.8m to $322.1m, largely because of higher catastrophe losses.

Revenues for the group as a whole rose 7 per cent to $13.01bn. The net income of $503.4m appeared to represent a decline from the $1.09bn reported last time, but the year-ago figure included a $635.1m gain from the sale of a minority interest in Allstate.

On a like-for-like basis, earnings per share on continuing operations rose from $1.19 to $1.27.

For the first six months, net income on continuing operations fell from $775.5m to $405.5m, mainly because of heavy catastrophe losses in the first quarter.

Allstate results, Page 18

Conner Middelmann on governments struggling to finance their debt

A breather for the funding laggards

The recent bond market recovery has provided European governments with a much needed opportunity to step up funding programmes that had become bogged down in market turmoil and adverse yield movements.

Some governments – notably Germany – had cancelled auctions and fallen behind with their funding programmes. Others had shifted funding to the less volatile shorter maturities.

However, the improvement in sentiment eased the way this week for the German government's first anction of 10-year bonds since September, raising DM10bn ($6bn). Next week the UK will auction its first long-dated conventional bond in six months. Since January, it has auctioned £10.5bn ($16bn) of "exotic" instruments, such as convertible and floating-rate gilts and shorter-dated bonds.

Altogether, the next four weeks are likely to see around $100bn of new supply from the US, Japan, Germany, France, the UK and Italy, as well as substantial issuance in Spain and Sweden. Indeed, the heavy supply may limit the scope of the bond market recovery, especially as some countries are lagging in their funding schedules.

Even before yesterday's wobble, the sustainability of the recovery was being questioned. Some analysts were dismissing it as little more than a technical bounce and remained concerned about investor demand. "Is this a genuine rally or just a correction in the bear market?" asked Mr Kirit Shah, international bond strategist at First Chicago in London. "I think it is the latter."

The recent rally began with investors switching into German bonds out of US assets. Then US bonds and the dollar staged a cautious recovery, calming world markets. Moreover, encouraging German mooey supply data revived hopes that the Bundesbank would cut interest rates again.

Some bond dealers have also reported a cautious return by traditional bond investors, who had abstained during the sell-off but were tempted by the sharp rise in yields to buy again from the start of the third quarter.

Others, however, attribute the recent gains mainly to futures buying by players seeking short-term capital gains, and warn that more retail buying is needed to underpin the recovery. "At the moment, most of the buying is futures driven, with some increased buying by hedge funds," said Mr Shah.

"To cite an old truism: supply is never a problem when there's adequate demand," said Mr Jan Loeys, European fixed-income strategist at J.P. Morgan.

Governments will want to ensure that this year's supply goes into firm hands after last year's borrowing bonanza turned sour. "They issued like mad last year, hnt half the investors absorbing that supply weren't permanent investors – they were in it for the short term," said Mr Loeys. Early this year, many of them took their profits.

Reliance on foreign capital made some markets particularly vulnerable to the bears. About 48 per cent of Sweden's 1993 net borrowing was financed by overseas buying of government bonds or foreign currency borrowing, and heavy foreign sales this year have taken their toll.

As a result, some governments have started targeting domestic investors to ensure more secure homes for their debt. France plans to launch a programme this aotumn to encourage private investment in government bonds. And the Spanish Treasury earlier this week said it would sell three-year fixed and floating-rate paper to domestic insurance companies and banks on August 2.

But although supply is not causing serious difficulties now, it may well do so later in the year, warns Mr George Magnus, chief international economist at SG Warburg Securities.

Indeed, the worries which plagued investors earlier this year could easily return. For one, economic growth – while helping to slim government budget deficits through higher tax revenues – will fuel fears of inflation and higher interest rates. Even if the Bundesbank continues to cut interest rates, traders will be increasingly worried that each cut will be the last. Further threats to European bonds could come from the US, where interest rate increases are feared.

Political risks abound, too. Jitters could surface, for instance, ahead of Sweden's elections in September and its referendum over EU membership in November, and ahead of the French presidential elections in early 1995. In Italy, Spain and Belgium, with their fragile coalition governments, the threat of government crisis is never far from investors' minds.

A snapshot of European governments' remaining bond issuance for the year, scaled to gross domestic product, shows that supply pressures remain the largest in Italy and Spain, according to Mr Loeys. While Italy is fairly up-to-date with this year's schedule, it has so far failed to fund any of next year's massive redemptions as originally planned.

Meanwhile, Spain issued few long-dated bonds during the first half of the year, relying heavily on short-term funding. Some 60 per ceot of its borrowing so far this year has been channelled through treasury bills which will hove to be refinanced within the next 12 months, implying more supply later this year and especially in 1995.

Supply pressures are relatively low at present in Belgium, which is slightly ahead in its issuance calendar. However, it, too, has been borrowing heavily at the short end of the yield curve implying heavy refinancing volumes not far down the road.

Countries borrowing at the short end make themselves vulnerable to rising short-term rates, which increase the cost of servicing their debt.

The UK is doing fairly well after last year's substantial pre-funding, and has few redemptions to refinance. The French authorities have stuck doggedly to their monthly funding schedule throughout the bond market turbulence – though as a result French bonds substantially underperformed their German counterparts.

But after yesterday's bout of profit taking, the big question remains: will investors absorb the waves of supply to come later this year?

Capital markets, Page 20

Government borrowing programmes

Current financial year	Estimated net borrowing, own currency	US$ bn	Gross term borrowing requirement	US$ bn	Implied monthly pace of issuance, rest of financial year	US$ bn	Implied monthly issuance as % of GDP
US ($bn)	185	185	475	475	41	41	7.2
Japan (¥'000bn)	13.6	137	27.5	278	2.4	24	6.1
Italy (L'000bn)	152	97	235.7	151	16.5	11	12.0
France (FFrbn)	286	53	500	94	34.2	6	5.6
UK (£bn)	20.7	32	29.2	46	2.4	4	4.3
Germany (DMbn)	38.0	24	126.8	81	18.5	11	6.8
Spain (Pta'000bn)	2.4	19	8.8	53	0.78	6	14.5
Sweden (SKrbn)	95	12	106	14	8.8	1	7.1
Belgium (BFrbn)	236	7	1013	32	19.8	1	3.4
Denmark (DKrbn)	44	7	102.2	17	6.5	1	8.4

Source: J P Morgan

Merck boosts asthma stake with UK deal

By Daniel Green in London

The biggest corporate deal yet to be signed by a UK biotechnology company is set to be announced today between Celltech and Merck, the biggest US drugs manufacturer.

The two will collaborate on an asthma drug invented by Celltech. Codenamed CDP840, it has been successful in early clinical trials. Merck will largely pay for the mnch more expensive later rounds of clinical trials.

The deal will bring Merck and UK-based Celltech into direct competition with Europe's biggest drug company Glaxo, which has a deal with Icos, the Seattle-based biotechnology company, to develop a similar drug.

It reinforces Merck's challenge in asthma, a growing business worth at least $4bn a year.

Glaxo dominates the sector with two drugs, Ventolin and Becotide. Rival big-selling products are made by Sweden's Astra, the UK's Fisons and Boehringer Ingelheim of Germany.

Merck has already signalled its intention to fight its way into the asthma sector and has a drug of its own in the later stages of clinical trials called MK-476. It would be launched a year or two before the Celltech product and both could be on the market by the end of the decade.

For Celltech, the deal represents a vote of confidence in its product pipeline as much as cash. The drug belongs to a class, phosphodiesterase IV inhibitors, which holds out the promise of a once-a-day tablet to replace steroid inhalers.

Other companies are working on similar drugs, including Icos/Glaxo. Celltech claims its drug is either further down the development route than rivals or performs better in clinical trials.

US drugs groups, Page 18

BankAmerica advances 8% in second quarter

By Richard Waters in New York

After-tax profits at BankAmerica advanced 8 per cent in the three months to the end of June, as the fortunes of the San Francisco-based bank continued to reflect the Californian economy's slow emergence from recession.

Net interest income fell by $20m to $1.83bn, as an increase in loans failed to offset a fall in the bank's net interest margin to 4.49 per cent from 4.72 per cent. However, provision for credit losses during the period, at $125m, was $102m lower than last time.

Non-interest income, meanwhile, dropped by $40m to $1.02m. In line with other banks and securities bouses which have reported results in recent days, BankAmerica's trading income was affected by the turbulent financial markets. It fell to $106m in the latest period from $172m a year ago. On Tuesday, Merrill Lynch, the US's biggest securities house, reported net earnings of $252m, 27 per cent below the $345m of a year before.

BankAmerica's fees from a number of products – including deposit accounts, credit cards and trust work – also fell during the period. Higher fees, particularly from retail customers, have been one of the main methods by which US banks have increased their non-interest revenues in recent years. BankAmerica's income, however, was bolstered by a $65m increase in other sources of non-interest income, mainly the disposal of assets it had previously earmarked for sale.

Net income for the three months was $525m, or $1.32 per fully-diluted sbare, up from $488m, or $1.19, the year before. For the first half as a whole, net income rose to $1.04bn, or $2.58 a share, from $972m, or $2.38.

AGF may sell bank stake

By Alice Rawsthorn in Paris

Assurances Générales de France (AGF), the insurance company scheduled for privatisation in the autumn, yesterday confirmed it was considering the sale of its 43 per cent stake in Banque Française du Commerce Extérieur (BFCE), the specialist banking group.

AGF also verified that it was in talks with Crédit Lyonnais, the troubled French banking group that owns 24 per cent of BFCE, over the proposed disposal. However, AGF and Crédit Lyonnais declined to comment on speculation that they were considering selling their holdings together as a controlling stake.

The disposal of their combined holdings, a majority stake of 67 per cent with an estimated valne of FFr2.8bn ($534m), would in theory raise more money than the separate sales of the individual stakes, given that a potential purchaser could be expected to pay a premium for control of BFCE.

AGF and Crédit Lyonnais are making disposals. AGF, which has denied speculation about substantial losses on the bond market, is trying to raise capital after last year's making of heavy provisions on its property portfolio and its exposure to ailing concerns sucb as Comptoir des Entrepreneurs, the troubled financial group.

Mr Antoine Jeancourt-Galignani, AGF chairman, is reviewing the future of all the insurer's non-strategic interests. AGF yesterday confirmed that the BFCE stake was "not considered to be a strategic investment" and might therefore be sold.

Crédit Lyonnais is under even greater financial pressure. Mr Jean Peyrelevade, its chairman, this spring secured the government's support for a FFr44.9bn rescue package after disclosing a net loss of FFr6.9bn for 1993.

However, he recently confirmed that his group would require yet another capital injection following the discovery of more financial problems. Mr Peyrelevade is also intent on raising capital from disposals.

Crédit Lyonnais last week agreed terms to sell its controlling stake in Fnac, the music retailing group, to Mr François Pinault, the entrepreneur, for FFr1.9bn.

German bank takes over Swiss firm

By Christopher Parkes in Frankfurt

Bayerische Vereinsbank is to take complete control of Bank von Ernst, an old Swiss firm specialising in private business.

It will take over the 50 per cent it does not own from the Creditanstalt-Verein in Vienna, subject to approval by the relevant authorities, the bank said yesterday.

Bank von Ernst, with a balance sbeet total of SFr1.7bn ($1.2bn), has branches in Bern, Zurich, Geneva and London, and employs 250 people.

It has representative bureaux in Frankfurt, Tokyo, Miami and Caracas.

Bayerische Vereinsbank said it intended to strengthen Bank von Ernst's business with institutional clients, especially in asset management and capital markets business.

Detailed terms were not disclosed, although the Viennese partner in the deal is to take over Bayerische Vereinsbank's minority holdings in two Austrian hanks.

Since Bayerische Vereinsbank's 1992 purchase of the Schoellerbank had given it full coverage of the Austrian market, its 4.7 per cent in the Bank für Oberösterreich und Salzburg, and a similar stake in the Bank für Tirol and Vorarlberg were no longer of any strategic importance, Bayerische Vereinsbank said.

Portuguese bank turns in 13% fall at halfway

By Peter Wise in Lisbon

Banco Português do Atlântico, Portugal's second largest bank, has reported a 13.3 per cent fall in pre-tax profits to Es9.26bn ($58m) for the first half of 1994.

BPA said the slide was due mainly to a 31.7 per cent increase in provisions against credit and other risks to Es11.74bn as a result of recession in 1993.

Earnings were also affected hy investments in overseas subsidiaries and in União de Bancos Portugueses, a small retail bank in which BPA acquired a controlling stake in 1993, BPA said.

Cash flow in the first half rose 10.6 per cent, compared with the same period last year, to Es24.37bn. Total deposits increased 7 per cent to Es1,364.76bn. The group's loan portfolio grew 1.6 per cent to Es811.46bn. Net assets rose 16.4 per cent to Es2,538bn.

BPA has set aside Es326m for tax payments on first-half earnings. No tax provisions were made during the first half of 1993.

The state is due to sell its remaining 24.39 per cent holding in BPA hut no date has been set. A group of Portuguese bnsinessmen has acquired a controlling stake of about 27 per cent since privatisation of the bank began in stages in 1990.

BPA increased its capital from Es100bn to Es110bn in a rigbts issue tbat closed on July 1.

UK brewer gets Richard North

Bass, the UK's biggest brewer, has appointed as its finance director Mr Richard North, 44, who two weeks ago left Burton Group, the fashion retailer, with a non-contractual bonus of 12 months' salary – close to £250,000, writes Andrew Bolger in London. Bass said Mr North intended to fulfil the £60,000 contract to do 12 months' consultancy work for Burton which he was awarded when he left.

Fall of the Springer old guard

The shake-up was dramatic. Judy Dempsey asks if it came too late

Mr Axel Springer, who in 1946 founded what was to become one of Germany's largest publishing and newspaper houses, never had any doubts about what editorial line his papers should take, and what they stood for.

Mr Springer, born in 1912, was a staunch defender of the reunification of Germany; he was virulently anti-communist; he sought reconciliation between Germans and Jews; and he was an ardent advocate of the market economy. The decision to locate Springer's tall office block at Check Point Charlie, the main crossing point for the divided Berlin, and to ensure it could be seen by east Berliners, confirmed these principles.

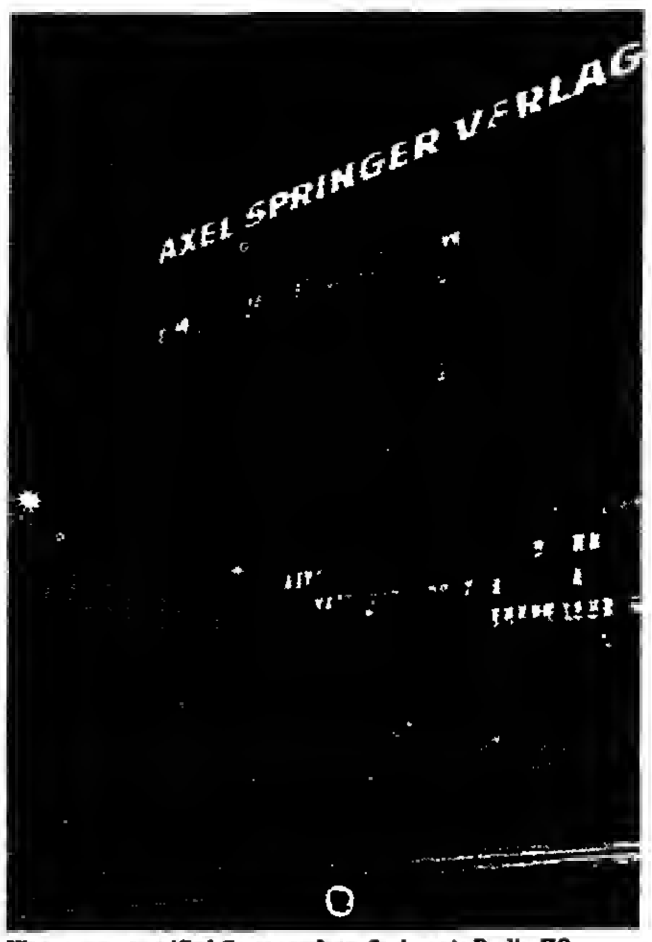
However, he never lived to see the collapse of the Berlin Wall. He died in 1985.

The Springer group's troubles started after German reunification, which coincided with the rapid expansion of the electronic media. The group, whose reputation was based on its three big dailies – Die Welt, Bild, and Berliner Morgenpost – were slow to adapt to a united Germany and the changing tastes of consumers.

"Springer was just too slow in getting into the electronic media," said Ms Ute Wolf, media analyst at Deutsche Bank Research. "They were also slow in cost-cutting." In fact, it wasn't until two years ago that the board finally undertook to shed 800 of its 12,000 workforce, revamp Die Welt, and move the paper's headquarters to Berlin.

However, tbe main stnmbling block facing Springer was the lack of strategy, caused largely by uncertainty on the board itself. Over the past year, shareholders have been asked to accept no continuity in the leadership of the group.

When Mr Günter Wille, the chairman, died in November 1993, aged 65, he was succeeded by Mr Günter Prinz, 64. Then last April, it was announced that Mr Horst Keiser, 58, would take over at yesterday's annual general meeting. He would remain in the job for only for a short time, an then be replaced by Mr Jürgen Richter, 52.



View across a unified Germany from Springer's Berlin HQ

Yesterday's decision by the supervisory board to end the uncertainty by promoting Mr Richter as cbairman was welcomed hy shareholders and analysts. "This is a positive development," said Mr Michael Geiger, media analyst at NatWest Securities in London. "Now it can work on its strategy."

The question is wbo organised the "coup" against the old guard, and what does Mr Richter want to do with the Springer group, wblch is almost certain to leave behind the traditions of Axel?

Dissatisfaction over the lack of continuity was apparent for some time, particularly within the Springer family, which holds a 50 per cent stake. Three of the heirs to the Springer gronp earlier this year published a letter in Die Zeit weekly criticising Mr Bernhard Servatius, chairman of the supervisory board, for what they saw as a confused strategy and the slow implementation of decisions.

Staff at Springer yesterday said the heirs had the support of Mr Leo Kircb, the media magnate wbo bolds a 35 per cent stake and wbo, since 1956, has built up a a vast media empire spanning film, television, print and interests in eastern Europe. For his part, Mr Servatius supported Mrs Friede Springer, Axel Springer's widow, who is on the supervisory board.

The internal divisions in the family and supervisory board were expected to be papered over at yesterday'a AGM. "But suddenly, three days ago, the supervisory board held a special meeting. They decided to replace the old guard. They informed the management board. And that was that," a Springer staff member said.

Mr Richter, apparently backed by Mr Kirch, now intends to proceed with the following strategy:

- the management board will be reduced from seven to six members;
- intermediate layers of decision-making will be scrapped, with the aim of giving board members more direct responsibility for marketing and distribution;
- younger staff from within the group will be promoted, to improve morale and keep them from going outside the company. Yesterday, Mr Klaus Leisner, 59, was dropped from the board and replaced by Mr Falk Ettwein, 52, who will be responsible for finance. Meanwbile, Mr Rudolf Knepper, 49, replaces Mr Hans-Joachim Marx, 63, as head of production.
- Springer will also focus more on the electronic media, and look at how best to cut tbe losses in its television magazines, whicb have not yet found their audience, and cut Die Welt'a annual losses, whtcb exceed DM70m ($45m).

Analysts and staff believe Mr Kirch has played a role both in the strategy and the "coup". "After all, he would like to increase his stake to 50 per cent," an analyst said, and this depended on wbether tbe Springer family was prepared to increase his stake.

Already, Mr Kirch and Springer are working closely on Sat 1, tbe independent television network in whicb the former holds a 20 per cent stake, and the latter, 40 per cent.

"Tbe possibility of Kircb holding a majority stake in Sat 1 tbrougb Springer cannot be ruled out, but it would be criticised, if not prevented, by the authorities. We all think of Berlusconi," another Springer staff member said.

Whatever tbe outcome, yesterday's quiet revolutioo in Springer represents just one of the biggest shake-ups in the German media. It also represents the end of an era in a publishing house which prided itself on castigating the communists and upholding conservative traditions at any opportunity.

Sabic extends rally with 57% rise

By Mark Nicholson in Cairo

Saudi Arabian Basic Industries Corporation, the 70 per cent state-owned industrial and petrochemicals group, has reported a 57 per cent rise in earnings for the first half to SR1.35bn ($360m), consolidating a strong turnround in profits which began in the last quarter of 1993.

Sabic said the growth resulted from a combination of improved world prices for its products, which include petrochemicals, plastics, fertilisers and steel, and a substantial rise in gross output as new projects have begun to come on stream.

Total revenues for the second quarter of 1994 were SR6.28bn against SR4.88bn for the corresponding quarter last year, according to Mr Ibrahim Ibn Salameh, Sabic's vice-chairman and managing director.

The group's gross output for the first six months reached 7.95m tonnes, a rise of 36 per cent over 1993. Sabic said output was on target to reach total capacity of 20m tonnes a year by the end of 1994.

Sabic is well into an ambitious expansion scheme which, at an estimated cost by the end of this year of $4bn, will have seen expansion at 12 of the holding company's 18 subsidiaries or affiliates.

Sabic announced only this week that its Ibn Sina plant to produce methyl tertiary butyl ether (MTBE), the petroleum additive, had come on stream. The Ibn Sina plant is a joint venture between Sabic and Panhandle Eastern, the US group, and Hoechst Celanese, a US unit of Hoechst.

The first half turnround follows growth of about 10 per cent in earnings during the last quarter of 1993 following falls in earnings in both 1991 and 1992 – largely attributed to soft world petrochemical prices.

Sabic, total assets of which rose 6 per cent to SR37.5bn, claims to command 5 per cent of global petrochemical markets.

Japan brokers face shake-up, chief warns

By Gerard Baker in Tokyo

Continued sluggish trading in Japan'a eqnity markets is likely to force a reorganisation of Japan's brokerage industry, an industry official said yesterday.

Mr Sadakane Doi, chairman of the Japan Securities Dealers' Association, told a press conference that all brokers, including the Big Four – Nomura, Yamaichi, Daiwa and Nikko – were facing 'extremely severe' conditions as they approached the halfway point in the fiscal year at the end of September. "I think this could prompt mergers and acquisitions among industry members," he said.

Mr Doi also expressed concern about the entry into the securities market of subsidiaries of banks, a development allowed under a programme of financial deregulation.

Alcan Aluminium of Canada sells stake in Australian unit

By Robert Gibbens in Montreal and Bruce Jacques in Sydney

Alcan Aluminium, of Canada, has sold its 73.3 per cent holding in Alcan Australia via an international secondary offering worth US$245m.

Alcan had already said that it planned to dispose of its controlling stake. CS First Boston, the investment bankers and underwriter for the issne, placed the Alcan Australia shares with institutional investors in Australia, Europe, North America and Asia.

The placement totalled 130.8m shares at A$2.55 (US$1.87) a share.

Alcan Australia employs 2,400 at seven plants and at distribution centres in Australia and New Zealand. But it is the smallest of Australia's integrated producers, with sales only one-third of rivals Alcoa Australia and Comalco.

Alcan Australia's primary capacity is 155,000 tonnes per year at its New South Wales smelter against 400,000 tonnes each for its competitors.

Alcan Australia has a larger proportion of its business in downstream activities. It represents 9 per cent of Alcan Aluminium's total world primary metal capacity.

Alcan Aluminium retains its bauxite mining interests in Australia and a 21.4 per cent stake in Queensland Alumina. It will continue to supply alumina and technology to the independent Alcan Australia and will market the latter's primary metal in Asia.

Also, Alcan Australia will market Alcan products in Australia and New Zealand using the Alcan name until the end of 1995.

The 26.7 per cent of Alcan Australia not under Canadian control has been held by various Australian institutions.

Meanwhile, Alcan Australia yesterday announced a return to the black for the June half despite major production cuts affecting the worldwide aluminium industry.

The company turned a A$2.9m loss into a A$9.4m net profit in the period on a marginal increase in sales revenue from A$301.9m to A$307.5m.

Directors said the profit was "still modest" and the company would not pay an interim dividend.

The earnings improvement came despite a 10 per cent cut in primary aluminium output, beginning this year, following an agreement among the world's major aluminium producers to reduce oversupply.

The result followed total tax provision of A$7.5m , compared to A$8.4m previously, and interest expense of A$5.4m, compared to A$6.6m.

Cheung Kong plans China spin off listing

By Louise Lucas in Hong Kong

Cheung Kong, the flagship of Mr Li Ka-shing's listed Hong Kong empire, is to spin off its China interests – which include property, hotel and infrastructure projects – in a separate listing within the next three and a half years.

To finance its China interests, which were recently bronght together under the umbrella of Cheung Kong Holdings (China), Cheung Kong plans to issue US$300m worth of five-year exchangeable floating-rate notes.

The notes, which will pay 50 basis points above the three-month US dollar London interbank offered rate, may be redeemed for shares in Cheung Kong (Holdings) China, once the initial public offer takes place, on an assured allotment basis, or for cash.

Holders of the notes may convert them into shares within one year of the IPO. After this, the notes become similar to a convertible note with an initial conversion premium of 10 per cent. Investors are also being offered a put option after three years, or on the first anniversary, enabling them to redeem the notes for the principal amonnt plus accrued interest.

Chenng Kong (Holdings) China 's projects include 11 property developments, five government-supported housing schemes and two hotels in Beijing and Guangzhou.

Posco expands to thwart Hyundai in steel sector

By John Burton in Seoul

Pohang Iron and Steel, South Korea's dominant steel company, yesterday announced plans to expand its production capacity in an attempt to block the Hyundai group from entering the steel sector.

The increase in Posco's annual production capacity by 5.9m tonnes to 28m tonnes would cover any predicted shortfall in steel supplies in the next decade and deprive Hyundai of its justification for starting the production of cold-rolled coils.

The expansion of Posco's facilities would be completed by 1999 at a cost of Won15,000bn ($18bn).

Hyundai this week announced its long-term plans to build, by the year 2001 at a cost of Won7,700bo, steel facilities to produce 9.3m tonnes a year.

The government and state-owned Posco oppose the move, saying that the Hyundai facilities would result in a glut in steel supplies. But Hyundai believes that South Korea will face a significant shortage of steel in the next decade.

Posco fears that Hyundai's steel production would cause a price war that would threaten its status as the world's most profitable steel company.

It would also lead to the loss of Hyundai as Posco's single biggest customer, further depressing profits.

Hyundai plans that two-thirds of its steel production would be consumed internally by other group companies, including car, shipbuilding and transport equipment units.

Gengold posts 16.9% decline

By Mark Suzman in Johannesburg

South African gold producer Gengold has posted a 16.9 per cent decline in after-tax profit for the June quarter to R9.8m ($2.6m) from R11.8m in the previous three months. The drop was largely due to lower productivity and a higher tax rate which counteracted the effects of the improved gold price.

Widespread election-related labour unrest across the group's mines, combined with the large number of public holidays in the quarter, led to a 4 per cent drop in tons milled to 2,602 from 2,711. This in turn caused overall gold production to drop 3.9 per cent to 1,694kg from 1,763kg in the previous quarter and is well down on the 1,839kg mined in the June quarter last year.

At the same time, overall taxation rose 30.6 per cent to R66.34m from R50.81m, and the payment of a further R25.39m to cover the one-off, 5 per cent transitional levy, announced in the June budget to help cover the cost of the election, further dented the bottom line.

Mr Gary Maude, managing director, admitted that labour unrest had been a significant problem and was continuing, but said he expected the current wave to subside gradually.

Mr Maude also noted that the group had now unwouod all its forward hedging with the exception of a small amount outstanding on the marginal Stilfontein mine and so was poised to take full advantage of the improved spot gold price in the next quarter.

Of the group's big mines Beatrix was least affected by the labour problems and was able to use stockpiles to increase overall production slightly to 3,224kg from 3,220 in March. However, production at Kinross dropped from 3,030kg to 2,850kg while at Buffelsfontein it fell to 2,852 from 3,080kg.

● Labour problems and the costs of the transitional levy also hit the gold mines in the Anglovaal group as overall after-tax profit for the June quarter fell to R45m from R70m. The total cost of the levy was R20.3m.

A combination of lower grade achieved and lower tonnage milled led Hartebeestfontein, the group's flagship mine, to record a drop in after tax profit to R40.2m, down from R62.6m in March. Gold production dipped to 6,550kg from 6,965kg.

INTERNATIONAL COMPANIES AND FINANCE

Prescription sales behind solid results from US drugs groups

Pfizer issues profits warning

By Richard Waters
in New York

A warning from Pfizer that this year's profits would fail to match many analysts' estimates clouded what was otherwise a moderately positive set of second-quarter figures yesterday from some of the leading US drugs groups.

All the companies reporting yesterday showed double-digit gains in sales of prescription drugs in the US, with overseas sales growth generally lower due to regulation on prices in Europe and a weaker dollar.

The US gains mainly stemmed from new products and reflected higher volumes, with prices remaining under pressure.

Mr Henry McKinnell, Pfizer's chief financial officer, warned that tha company's earnings per share for 1994 would come "toward the bottom" of the range of market expectations, which stand at $4.10 to $4.25.

The warning follows the issue of a new patent in the US to Bayer, the German pharmaceuticals group, which will require Pfizer to pay higher royalties on its biggest-selling product, the cardiovascular drug Procardia XL.

Pfizer said the effect was to reduce pre-tax profits by $18m in the second quarter, with the full-year cost put at $36m. These figures represent the company's expected higher roysity payments to Bayer, offset partly by lower royalties it will have to pay to its US partner, Alza, on the drug.

Sales of Procardia XL also dropped 9 per cent during the quarter from a year before, though the company blamcd this mainly on short-term inventory adjustments by wholesalers.

Despite this, sales during the period were 10 per cent higher than the year before, driven by a 16 per cent increase in US pharmaceuticals sales. The growth was driven by a range of new products, with sales of four – Zoloft, Zithromax, Norvasc and Cardura – growing in aggregate by 59 per cent to account for a third of total drug sales in the period.

Merck, the US's biggest drugs group, recorded a 10 per cent growth in sales of human and animal health products from a year before. Adding in sales of Medco Containment Services, the drugs distributor it acquired last year, sales growth was 18 per cent.

The company's after-tax profits grew at the slower rate of 10 per cent, though, due to the lower margins on Medco's business compared to Merck's traditional operations.

Mr Raymond Gilmartin, who recently took over as Merck's chief executive and will become chairman in November, said the company had seen "strong unit volume gains" during the period.

Sales of Mevacor, a cholesterol-lowering agent, fell on competition from rival products, along with a group of other longer-established products. This was countered by volume gains for a range of newer drugs, the company said.

Bristol-Myers Squibb's sales growth during the quarter was driven by a 12 per cent increase in drugs sales, with Capoten, its largest-selling product, advancing by 7 per cent despite increasing competition. Consumer product sales, meanwhile, grew by only 1 per cent, while nutritional product revenues fell 1 per cent.

The company also warned it could face an additional charge to profits stemming from breast implant claims against it. The charge could arise due to the number of women who have opted out of an global industry-wide settlement reached in March, requiring the company to settle claims individually.

Bristol-Myers said it did not yet know what the claims would be, but added it "could have a material impact on the company's results for the year".

Bristol-Myers, like other drugs groups with manufacturing operations in Puerto Rico, also reported a higher tax charge due to the phasing-out of tax allowances in the US. This had pushed the effective income tax rate up to nearly 30 per cent from 26 per cent a year before, it said.

A 26 per cent increase in US drugs sales, to $541m, was the main factor behind sales growth of 10.6 per cent at Johnson & Johnson during the second quarter.

Total drugs sales grew by 17 per cent to $1.31bn, while sales of consumer products rose 7 per cent to $1.27bn and professional products increased 8 per cent to $1.34bn.

US pharmaceuticals sales growth was led by two new products, Risperdal, a treatment for schizophrenia, and Propulsid, a gastro-intestinal drug, said Mr Ralph Larsen, chairman and chief executive.

Schering-Plough also benefitted from stronger US prescription drugs sales, with revenues from Claritin, an antihistamine, topping quarterly sales of $100m for the first time.

While foreign sales were unchanged, total pharmaceutical sales growth of 9 per cent (10 per cent before the effect of exchange adjustments) was driven by growth in the US.

How US drugs companies have fared

Company	2nd quarter Sales ($bn) 1994	Change on year (%)	Net income 1994 ($m)	Net income 1993 ($m)	eps$ 1994	eps$ 1993	Half-year Net income 1994 ($m)	Net income 1993 ($m)
Merck	3.8	+18[1]	784	694[3]	0.61	0.61	1,439	1,307
Bristol-Myers	3.0	+6	542	521	1.07	1.01	1,123	1,095
Pfizer	1.9	+10	257	254[2]	0.84	0.79	628	583
Schering Plough	1.2	+8	241	213	1.25	1.09	494	437
J'son & J'son	3.9	+10	559	495	0.86	0.75	1,103	998

[1] Adjusted to reflect acquisition of Medco and sale of Calgon. [2] Excludes $775m pre-tax restructuring charge. [3] Includes one-off items resulting in pre-tax gain of $27m
Source: company reports

MCI Communications income ahead 43% in second quarter

By Martin Dickson
in New York

MCI Commnnications, the second largest US long distance telecommunications company, yesterday reported a 43 per cent increase in second quarter net income, helped by growth in the consumer, business and global markets.

MCI, in which British Telecommunications will buy a 20 per cent stake when regulators have approved the purchase, reported net income of $215m, or 37 cents a share, compared with $150m, or 27 cents, in the same period of last year.

The 1993 figures included a charge of $28m, or 5 cents a share, for the early retirement of debt.

Revenues totalled $3.31bn, up 13 per cent on the second quarter of last year, while year-on-year traffic grew 14.4 per cent, substantially higher than the industry average.

The figures were slightly ahead of the consensus Wall Street forecast, which was pitched around 36 cents a share.

They confirmed both the strong growth of the long-distance market amid US economic recovery, and MCI's above-average momentum, due to strong marketing and innovative products.

Sprint, the third largest long distance carrier, also reported good results on Tuesday, with its long-distance unit reporting a 30 per cent increase in operating income, to $158m.

Mr Gerald Taylor, MCI president, said the company continued to gain new customers across the board.

He added that other factors behind the leap in profits were its ability to capitalise on early opportunities in select markets and deliver services faster and more cost-efficiently.

For the six months, the group reported net income of $424m, or 73 cents a share, compared with $301m, or 55 cents, in the first half of 1993.

Cost-cutting underpins McDonnell Douglas

By Richard Tomkins
in New York

McDonnell Donglas, the US defence and aerospace group, reported a fall in net earnings to $138m from $170m in its second quarter.

However, the figure represented a 22 per increase from $113m if unusual items were stripped out of the previous year's figure.

The improvement was achieved in spite of a downturn in revenues caused by poor demand for commercial aircraft and reduced activity in the missiles, space and electronic systems segment. Group turnover fell by 15 per cent to $3.25bn.

By cutting costs, McDonnell Douglas was able to increase operating profits to $259m from $234m last year, excluding unusual items. Earnings per share were $3.50, compared with $4.33 last time, or $2.87 withont unusual items.

The most profitable segment was military aircraft, which saw an 11 per cent increase in revennes. Operating profits rose from $118m to $153m.

Commercial aircraft revenues fell more than 40 per cent due to declining demand.

The company delivered eight MD-80 twin-jets and fonr MD-11 tri-jets in the second quarter, against 13 MD-80s and 10 MD-11s in the same period last year. However, the division lifted operating profits from $12m to $24m.

The missiles, space and electronic systems segment saw a 33 per cent decline in revenues becanse of the company's reduced role in the space station programme and the winding down of the advanced cruise missile programme. Operating profits fell from $99m to $80m.

Cashflow from aerospace operations remained strong, allowing the company to cut debt by more than $300m in the first six months to $1.3bn at June 30.

Net income for the first six months was $272m, compared with $207m before unusual items and $386m after them.

Allstate bounces back for record

By Patrick Harverson
in New York

Allstate, the US insurance group whose first-qnarter results were hit by the Los Angeles earthquake in January, yesterday announced record second-quarter net income of $402m, np from $396.7m in the same period of 1993.

The strong earnings represented a sharp rebound from the $275.2m loss in the first three months of the year.

Net income on a per share basis was 89 cents in the quarter, down on the 94 cents a share income in the same period of 1993 due to an increase in the number of shares outstanding.

For the first six months, Allstate earned $126.8m, or 28 cents a share, down sharply from the $716.8m, or $1.70, in the first half of 1993.

The decline was attributed to the cost of meeting more than $1bn of claims from the Los Angeles earthquake and the severe winter storms which hit large areas of the east coast in January and February.

Property and liability operations reported net income of $355.1m, slightly lower than a year earlier because of higher catastrophe losses, but still strong thanks to favourahle trends in vehicle claims and expense reductions. Life insurance operations reported a modest increase in net income to $56.9m.

Allstate shares rose $⅞ to $24⅞ on the New York Stock Exchange yesterday.

● ITT, the US conglomerate with significant insurance operations, yesterday reported second-quarter net income of $258m, or $1.97 a share, down from $267m, or $2.02, a year earlier.

Mr Rand Araskog, chairman, said all three of the group's largest business areas – financial services, manufactured products and hotels – registered impressive sales growth in the quarter.

Smith Barney earnings fall 45%

By Richard Waters

Smith Barney, the securities company owned hy Travelers, the US financial services group, posted a 45 per cent fall in earnings in the three months to the end of June compared with the previous quarter.

The company blamed the fall on lower trading volumes and difficult financial markets, echoing other financial firms which have reported figures in recent days.

Smith Barney's net income of $79m, on revenues of $1.28bn, compared with $144m, on revenues of $1.45bn, in the previous period.

Comparisons with a year ago are not relevant since Smith Barney absorbed the retail broking arm of Shearson Lehman in the second half of last year.

The profit decline, which left Smith Barney with return on equity of 14.2 per cent for the period, was behind a fall in profits at Travelsrs compared with the previous period.

The financial services group, which changed its name from Primerica after acquiring the Travelers insurance company, at the start of this year, posted net income of $320m, or 93 cents a share, and six-month net income of $660m, or $1.89.

Mr Sanford Weill, chairman and chief executive, said the group results showed that its diverse businesses made it able to "withstand the volatility of the securities business".

Net income at most of Travelers' businesses equalled or exceeded the previous period, with consumer finance contributing $55m, Primerica Financial Services $52m, the Travelers life and annuities business $50m, managed care and employee benefits $34m, and property-casusity insurance $80m.

Production delays depress Lotus results

By Louise Kehoe
in San Francisco

Lotus Development, the US personal computer software company, has reported a 36 per cent drop in second-quarter earnings, blaming product delays and the reorganisation of its sales force.

Net earnings from operations for the quarter were $9.7m, or 20 cents a share, down from $15.2m, or 35 cents, last year. Revenues were down 5 per cent at $224m.

In last year's second quarter, Lotus took a $19.9m charge related to the acquisition of Approach Software. After the charge, the company reported a net loss of $4.6m, or 11 cents a share.

"Product delays, cyclical competitive pressures, the reorganisation of our US sales force and the transition to a new worldwide channel sales programme contributed to our disappointing performance," said Mr Jim Manzi, president and chief executive.

Lotus failed to release several new products on schedule. It is also under intense competitive pressure from Microsoft, the largest PC software company, analysts said. Although Lotus sales of communications software are growing, it is still heavily dependent upon market segments in which it is being overtaken by competitors.

Lotus's communications products include Notes, a tool for sharing information and collaborating across computer nctworks, and cc:Mail, the best-selling e-mail program.

"Based on the expected shipment of the delayed products during the next several weeks and continued momentum in our communications business, ws expect to see improved reveoue growth in the second half of the year," said Mr Ed Gillis, chief financial officer.

For the half year, net income from operations was up 13 per cent to $31.1m, or 64 cents a share, on revenues 2 per cent higher at $471m.

FRENCH EQUITY MARKET LEAGUE TABLES
(First-half 1994)*

BANQUE NATIONALE DE PARIS

Lead-positions :

Number **1** **for privatisations**

Number **1** **for equity and equity-linked issues**

Number **1** **for public offers and take-over bids**

Number **2** **for initial public offerings**

elected

France's leading investment Bank*

BANEXI

BNP's Merchant Bank

*Source: *Option Finance (July 1994)*

BNP

BNP Equity Group

INTERNATIONAL CAPITAL MARKETS

US Treasuries nosedive after Greenspan's testimony

By Frank McGurty in New York and Conner Middelmann in London

US Treasury bonds retreated yesterday morning after the Federal Reserve chairman told a Senate committee that a further tightening of credit conditions was still "an open question".

By midday, the benchmark 30-year government bond was $\frac{23}{32}$ lower at 84⅞, with the yield rising to 7.534 per cent. At the short end, the two-year note was down $\frac{3}{32}$ at $99\frac{23}{32}$, yielding 5.998 per cent.

In early activity, bond prices showed modest declines as traders adjusted their positions ahead of the congressional testimony by Mr Alan Greenspan, the Fed chief. The selling came after several strong sessions in which the market had anticipated a signal from the central banker that an early move to higher interest rates was unnecessary.

Instead, Mr Greenspan was decidedly non-committal, and bonds went into a tailspin. In his twice-annual Humphrey-Hawkins briefing, he said he was uncertain whether the four increases in short-term rates sanctioned by the Fed so far this year had been sufficient to dispel inflationary pressures in the economy.

GOVERNMENT BONDS

Mr Greenspan's comments left no doubt in the minds of bond traders that the Fed may move to a tighter monetary policy in the run-up to the next meeting of its policy-making arm on August 16.

That prospect overwhelmed a smattering of favourable economic data released earlier in the morning. The Commerce Department said housing starts last month had dropped 9.8 per cent while building permits had fallen 3.0 per cent.

As the afternoon commenced, Treasuries stabilised at moderately lower levels. But the market was still facing the announcement of the size of next week's government auction of new two-year and five-year notes.

■ European government bonds ended a volatile session lower across the board.

Traders said the correction would test the durability of the recent rally, which has seen 10-year bund yields move more than 50 basis points in two weeks.

"We've had quite a powerful move, so I'm not surprised to see a bit of profit-taking," said a Franfurt bund dealer. He expected the retracement to continue in the short-term, but did not expect prices to return to recent lows.

Some traders said the largely technical correction could represent an important test for bond markets.

"Will investors use these cheaper levels to put some cash to work? And will those who participated in the early stages of the rally be comfortable holding on to their positions?" asked Mr Stephen Dulake, international bond strategist at Paine Webber.

■ German bonds underperformed many of their neighbours and fell by more than half a point at the long end with DM7.7bn of new 10-year government bonds weighing on prices. Although yesterday's DM4.7bn auction of the second tranche of the new 6.75 per cent bund issue was deemed a success, traders said most of it went on bank's books rather than into firm retail hands.

The Bundesbank's repo rate fell another three basis points to 4.88 per cent, as expected, giving away little ahead of today's Bundesbank council meeting. Most market participants said they expected the central bank to leave key lending rates unchanged.

■ French bonds tracked bunds lower as dealers took profits after the recent days' sharp gains.

The French Treasury today is to auction FFr19bn-FFr21bn of new two- and five-year Btans. According to one dealer, the possibility of another 10-basis-point cut in the Bank of France's intervention rate could underpin the auction.

■ Weakness in other markets put pressure on UK gilts, triggering some stop-loss selling in the futures market. Dealers said most of the activity took place in the futures pits, and did not report strong selling by cash investors.

"If anything, many investors would like to see the market work its way a bit lower so they can buy more cheaply at next week's auction," a dealer said.

● The London International Financial Futures and Options Exchange (Liffe) will begin trading long gilt futures and options contracts a half hour earlier starting August 1. The futures contract will open at 0700 GMT and the options contract at 0702 GMT in line with the cash market.

CBOT and Liffe consider linking after-hours trade

By Tracy Corrigan

The pattern of alliances between the world's futures exchanges shifted once again yesterday. The Chicago Board of Trade and the London International Financial Futures & Options Exchange, largest and third-largest exchanges, said they would explore the feasibility of linking their after-hours electronic trading systems.

The two exchanges were known to be looking at ways to join forces, after both turned their backs on Globex, the electronic trading system developed by Reuters.

DERIVATIVES

Although Globex has achieved disappointing volume, relying mainly on after-hours trading the Matif French futures exchange, it does command an impressive grouping of bond contracts.

Since Liffe decided not to join the system, mainly because of concerns about restrictions on other commercial links, and the CBOT, one of the original backers of the project, pulled out earlier this year, Globex has attracted Germany's Deutsche Terminbörse to join the Matif and the Chicago Mercantile Exchange. The Matif and the DTB have agreed to link their day-time trading.

The CBOT has an agreement in principle with Bloomberg which would give users with Bloomberg terminals access to its products.

The growing number of strategic alliances between futures exchanges has raised the stakes for Liffe and the CBOT – both have a number of failed efforts behind them. But the technical feasibility still has to be explored. It involves linking two after-hours systems, Liffe's APT and the CBOT's Project A, which have certain similarities – both are open workstation-based systems – but some important differences.

Users would have to be trained on both systems, which could be accessed on the same workstation, but through different windows. The APT system replicates trading in the futures pits, while Project A is a trade-matching system.

"We are optimistic that it can be done," said Mr Phil Bruce, director of strategic business development at Liffe. He hopes the technical study will be concluded by the end of this year, and a live system would be implemented in 1995.

Unlike Globex, the agreement would allow each exchange to retain "complete control of its own contracts", according to the CBOT. Clearing would be provided by the Board of Trade Clearing Corporation for CBOT contracts and the London Clearing House for Liffe products.

While the Liffe/CBOT link and Globex are part of the same trend, the potential rivalry between the two systems should not be exaggerated. For the most part, they will trade different products. The only direct competition would be for business in bund futures, and perhaps short-term German interest rate futures, listed on both the DTB and Liffe.

Nevertheless, the move is not good news for Globex, which is left with a smaller array of products than it might have hoped for, in a market which is cynical about the scope for global trading.

Lukewarm reception for US bank's $1bn offering

By Graham Bowley and Antonia Sharpe

Federal Home Loan Bank (FHLB) failed to set the international bond market alight yesterday with the launch of its anticipated inaugural $1bn offering of global bonds. The indicated price range on the two-year bonds was 9 to 11 basis points over five-year Treasuries, in line with market expectations.

Syndicate managers said although FHLB had worked hard to raise its profile with investors outside the US, demand from Europe and Asia was muted and they expected most of the bonds to flow back into the US. However, joint lead managers Lehman Brothers and Morgan Stanley said placement was evenly split between the regions.

The bonds are likely to be priced this afternoon to yield 10 basis points over Treasuries. Yesterday's sudden sell-off in the US bond market was not expected to hamper the deal, indeed a potential coupon of close on 6⅛ per cent as a result of the weakness was likely to attract more buyers.

INTERNATIONAL BONDS

With FHLB's deal out of the way, the calendar of new eurobond issues is looking thin, though the European Community is expected to invite bids for its seven-year Ecu300m issue early next week.

Syndicate managers welcomed the slowdown in new issues business which would give the market time to digest the recent flood of supply.

Among yesterday's other offerings, General Electric Capital followed hard on British Telecom's heels raising £100m through an offering of five-year eurobonds, taking advantage of improved conditions in the sterling bond market and the greater demand from European investors.

The bonds were priced to yield 20 basis points over the 6 per cent UK government bond (gilt) due 1999, which dulled their appeal to institutions somewhat. Indeed, some syndicate managers said when compared with a gilt with a more comparable maturity, the spread on the bonds was closer to 14 basis points.

However, European retail investors were strong buyers. The funds raised were swapped to floating-rate sterling.

Nestlé Holdings followed up on the success of its $200m eurobond issue in June when it increased the three-year offering by a further $100m yesterday. Lead manager CS First Boston said the bonds were aimed mainly at Swiss retail investors. The new tranche was priced to yield 5 basis points over the yield on the 6⅞ per cent Treasury due 1997.

Given Nestlé's high standing among investors, the spread is expected to tighten further and eventually trade below Treasuries. Late yesterday, the spread was unchanged.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Federal Home Loan Bk. System	1bn	(a)#	(a)R	Aug.1996	0.15R	(a) (WI 2yr)	Lehman/ Morgan Stanley
MBL Finance(Curacao)(c)#‡	400	(c1)	100.00	Jul.2007	undiscl.	-	Mitsubishi Finance Intl.
MBL Finance(Curacao)(b,d)‡	100	(d1)	100.00	Jul.2004	undiscl.	-	Mitsubishi Finance Intl.
MBL Finance(Curacao)(e)#‡	200	(e1)	100.00	Jul.2004	undiscl.	-	Mitsubishi Finance Intl.
Nestlé Holdings(f)	100	6.50	100.20R	Aug.1997	0.1875R	+5 (6⅞%-97)	CS First Boston
STERLING							
General Electric Capl.Corp.(g)	100	8.00	99.50R	Dec.1999	0.25R	+20 (6%-99)	Goldman Sachs Intl.
D-MARKS							
Asfinag(h)‡	200	(h1)	99.75	Aug.1999	0.25	-	Commerzbank
ITALIAN LIRE							
Eurofima	300bn	10.40	101.58	Sep.1999	1.75	-	BNL/C.Italiano/San Paolo
GUILDERS							
VSB Groep	250	7.00	99.80R	Aug.2001	0.30R	+40 (8¾%-01)	KBW Effectenbank
AUSTRALIAN DOLLARS							
Export Finance & Ins. Corp.	75	8.625	161.30	Aug.1997	1.50	-	Merrill Lynch International
SWISS FRANCS							
Abbey Natl.Treasury Services	100	5.00	102.00	Aug.1998	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. #Unlisted. ‡Floating rate note. §Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Priced today at 9-11bp over Treasuries. b) Long 1st coupon. c) Series 1. Callable from 25/7/02 at par. c1) 7½% to 25/7/02 and 6-mth Libor +70bp thereafter. d) Series 2. Callable from 31/7/99 at par. d1) 7⅛% to 31/7/99 and 6-mth Libor +50bp thereafter. e) Series 3. Callable from 26/7/99 at par. e1) 7⅛% to 26/7/99 and 6-mth Libor +50bp thereafter. f) Issue launched on 29/6/94 was increased to $300m. g) Short 1st coupon. h) 2m floor certs issued at DM6.60 pay difference between 7% and 6-mth Libor. h1) 6-mth Libor +30bp; max 7 3%.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	97.2700	-0.570	9.42	9.63	9.75
Belgium		7.250	04/04	95.7000	-0.650	7.89	7.89	8.10
Canada *		8.500	06/04	83.6000	-0.800	9.07	9.14	9.42
Denmark		7.000	12/04	92.9200	-0.230	8.02	8.28	8.42
France	BTAN	8.000	05/98	105.0000	+0.380	6.47	6.90	7.03
	OAT	5.500	04/04	87.8700	-0.470	7.28	7.36	7.63
Germany Treuhand		6.750	05/04	99.8000	-0.380	6.77	6.83	7.20
Italy		8.500	01/04	88.8000	-0.660	10.39†	10.21	10.47
Japan	No 116	4.800	06/99	104.8850	-0.270	3.63	3.56	3.66
	No 164	4.100	12/03	98.5270	-0.130	4.32	4.42	4.41
Netherlands		5.750	01/04	92.4000	-0.680	6.86	6.92	7.12
Spain		8.000	05/04	85.8000	-0.550	10.36	10.56	10.88
UK Gilts		6.000	08/99	92-12	-10/32	7.86	7.90	8.31
		8.750	11/04	89-22	-24/32	8.24	8.21	8.59
		9.000	10/08	105-11	-22/32	8.35	8.30	8.63
US Treasury *		7.250	05/04	100-00	-22/32	7.25	7.42	7.15
		6.250	08/23	84-24	-22/32	7.55	7.69	7.44
ECU (French Govt)		8.000	04/04	88.4500	-0.420	7.72	7.88	8.18

London closing. *New York mid-day. Yields: Local market standard.
1 Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	4.21	Two year	6.00
Prime rate	7¼	Two month	4.25	Three year	6.34
Broker loan rate	5½	Three month	4.42	Five year	6.80
Fed.funds	4¼	Six month	4.87	10-year	7.22
Fed.funds at intervention	-	One year	5.33	30-year	7.62

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	117.70	117.06	-0.68	117.82	116.66	149,274	124,326
Dec	116.66	116.22	-0.68	116.86	116.30	1,208	13,490
Mar	116.14	115.60	-0.68	116.14	115.70	1,177	1,967

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
115	-	-	-	0.16	0.78	-
116	1.57	2.13	-	0.35	1.05	2.23
117	0.75	1.47	-	0.68	1.41	2.67
118	0.30	0.85	1.45	-	1.83	-
119	0.16	0.57	1.16	1.97	-	-

Est. vol. total, Calls 27,686 Puts 54,667. Previous day's open int., Calls 361,623 Puts 380,524.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.60	93.86	-0.78	94.64	93.61	159476	165988
Dec	93.75	92.99	-0.78	93.75	92.96	1559	11042

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
9350	0.45	1.13	1.09	1.47	0.27	0.95	1.60	1.96
9400	0.21	0.86	0.87	1.25	0.53	1.18	1.69	2.26
9450	0.09	0.63	0.67	1.03	0.91	1.45	2.18	2.54

Est. vol. total, Calls 13526 Puts 10663. Previous day's open int., Calls 294931 Puts 281653

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		98.73	-0.52			8	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	104.15	103.53	-0.47	104.40	103.25	40616	74846
Dec		102.33	-0.47			0	110

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10350	1.97	2.84	1.94	4.01
10400	1.71	2.83	2.18	4.30
10450	1.48	2.44	2.45	4.51

Est. vol. total, Calls 4601 Puts 367. Previous day's open int., Calls 33493 Puts 29138

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	91.40	90.80	-0.43	91.56	90.70	57,192	104,228
Dec	-	90.44	-	-	-	-	564

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	103-22	103-02	-0-23	103-28	102-30	62592	110256
Dec	102-08	102-08	-0-25	102-08	102-08	4	1241

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
103	1-32	2-40	1-28	3-24
104	1-01	2-13	1-61	3-61
105	0-43	1-53	2-39	4-37

Est. vol. total, Calls 2263 Puts 2076. Previous day's open int., Calls 63975 Puts 50331

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	85.66	85.00	-0.56	85.66	85.00	1,688	5,798
Dec	-	84.66	-0.56	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	103-18	103-14	-0-05	103-23	103-11	336,523	375,836
Dec	102-25	102-23	-0-03	102-30	102-16	4,821	57,354
Mar	-	102-03	-	-	-	68	4,320

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	109.72			109.75	109.44	3460	0
Dec	108.73			108.76	108.66	47	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jul 20	Day's change %	Tue Jul 19	Accrued interest	xd adj. ytd		Low coupon yield Jul 20	Low Jul 19	Low Yr. ago	Medium coupon yield Jul 20	Medium Jul 19	Medium Yr. ago	High coupon yield Jul 20	High Jul 19	High Yr. ago
1 Up to 5 years (24)	122.08	-0.11	122.22	1.75	6.40	5 yrs	7.94	7.86	6.87	8.14	8.09	7.05	8.20	8.13	7.26
2 5-15 years (22)	142.71	-0.33	143.54	2.23	7.06	15 yrs	8.22	8.16	7.77	8.33	8.28	7.87	8.62	8.56	8.13
3 Over 15 years (9)	158.72	-0.38	159.32	1.01	8.11	20 yrs	8.19	8.17	7.90	8.33	8.28	7.95	8.46	8.41	8.18
4 Irredeemables (6)	183.38	-0.21	183.78	2.00	7.38	Irred.†	8.24	8.22	8.03						
5 All stocks (61)	139.67	-0.27	140.23	1.89	7.05										

Index-linked							Inflation 5% Jul 20	Jul 19	Yr. ago	Inflation 10% Jul 20	Jul 19	Yr. ago
6 Up to 5 years (2)	197.32	-0.81	197.33	1.51	2.53	Up to 5 yrs	3.60	3.59	2.62	2.50	2.48	2.01
7 Over 5 years (11)	172.47	-0.11	172.68	6.44	3.25	Over 5 yrs	3.84	3.83	3.44	3.64	3.63	3.25
8 All stocks (13)	173.12	-0.10	173.29	0.54	3.16							

Debentures and Loans						5 year yield Jul 20	Jul 19	Yr. ago	15 year yield Jul 20	Jul 19	Yr. ago	25 year yield Jul 20	Jul 19	Yr. ago
9 Debs & Loans (76)	131.25	-0.35	131.72	2.77	5.84	9.36	9.31	8.49	9.32	9.28	8.81	9.28	9.24	8.96

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	July 20	July 19	July 18	July 15	July 14	Yr ago	High*	Low*
Govt. Secs. (UK)	93.71	93.88	94.03	93.91	94.11	98.03	107.04	90.99
Fixed Interest	112.07	112.31	112.43	112.39	112.07	117.16	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	July 19	July 18	July 15	July 14	July 13
Gilt Edged bargains	128.3	125.5	137.9	103.2	143.2
5-day average	127.8	121.5	112.3	100.9	94.4

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 20

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	91⅞	92¼		7.80
Alberta Province 7⅞ 98	1000	101⅞	102	-⅛	7.16
Austria 8½ 00	400	105½	105⅞		7.24
United Kingdom 7¼ 97	5500	103	103⅜		6.07
Volkswagen Intl Fin 7 00	1000	99	99½		7.15
World Bank 0 15	2000	22⅜	22⅝	-⅞	7.24
World Bank 5⅞ 03	3000	92½	92⅞		6.99
Abbey Natl Treasury 8 00 £	1000	94⅛	94½	-¼	8.99
Alliance Leics 11¾ 97 £	100	108⅝	109	-¼	7.80
British Land 8⅞ 23 £	150	90	90½	-¼	10.17
Denmark 6¾ 98 £	000	95⅝	95⅞	-⅛	8.04
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
Treas 10pc Ln. 1994‡‡	10.00	-	100		102⅛	100
Exch 12½pc 1994	12.41	5.04	100⅜xd	-⅛	104⅞	100⅛
Treas 9pc 1994‡‡	8.88	5.18	101⅛	-⅛	103⅝	101⅛
12pc 1995	11.60	5.18	103⅝xd	-⅛	107⅛	103⅝
Exch 3pc Gas 90-95	3.06	5.15	98⅛		98⅛	97¾
10pc 2003	9.11	8.48	109⅝			
Treas 11½pc 2001-4	10.05	8.61	114⅝			
Funding 3½pc '99-4	4.87	7.15	74⅜			
Conversion 9½pc 2004	8.84	8.40	107⅛			
Treas 6¾pc 2004‡‡	7.51	8.24	89⅝			
Conv 9½pc 2005	8.81	8.38	107⅞			
[illegible]						

Other Fixed Interest

[illegible]

* "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

COMPANY NEWS: UK

Chairman forecasts strong year ahead as paper and packaging markets recover across Europe

David S Smith pleases market with 56% rise

By Andrew Bolger

Sharee in Devld S Smith Holdings jumped by 22p to 550p after the paper, packaging and office supplies group pleased the market with better-than-expected results and e confident trading statement.

Pre-tax profits jumped by 56 per cent to £42.2m in the year to April 30, while turnover rose by 51 per cent to £783m.

Both increases were mainly due to a nine-month contribution from Spicers, the UK's largest wholesaler of office products, bought for £93.5m last year.

Mr Alan Clements, chairman, said: "After three years of cautious statements it is pleasing to be able to be more upbeat ... The trends in our markets are favourable and I am confident that the group will perform strongly in the year ahead."

Mr Peter Williams, chief executive, said Spicers wholesaling in the UK had turned in an excellent performance, producing operating profits of £15.8m on sales of £242.5m, and showing growth of 9.5 per cent in a recovering market.

Spicers' UK and Irish manufacturing operations were adversely affected by low market prices, but a gradual improvement was expected in the coming year.

In packaging and paper, total sales were £540m, up 4.1 per cent. Operating profit slipped to £37m, down 2.9 per cent from the previous year, reflecting a fall in margins from 7.3 to 6.8 per cent.

The group said the markets for its products had improved recently as the recovery spread across Europe, bringing reasonable growth in most areas.

Packaging paper markets staged a particularly robust recovery with good growth in demand and significant price increases. However, papermaking margins had not reflected the full benefit due to a rapid escalation in waste paper prices.

Similarly, although the group's packaging operations were generally enjoying better volumes, they were faced with the problem of passing on the cost of large paper price increases to their customers.

Gearing fell from 57 per cent to 37 per cent. Earnings per share increased by 17 per cent to 25.2p (21.6p). A final dividend of 8p gives a total of 10.75p (10p), an increase of 7.5 per cent.

See Lex

Junk food odds on to console the betting person

By David Wighton

"A tenner each way and a donble cheeseburger," could be the order of the day at Britain'e betting shops following the government'e decision to ease restrictions which have governed the industry for 33 years.

All the main chains welcomed the announcement by Mr Michael Howard, the home secretary, which will allow clear glass shopfronts, larger television screens and a wider range of food.

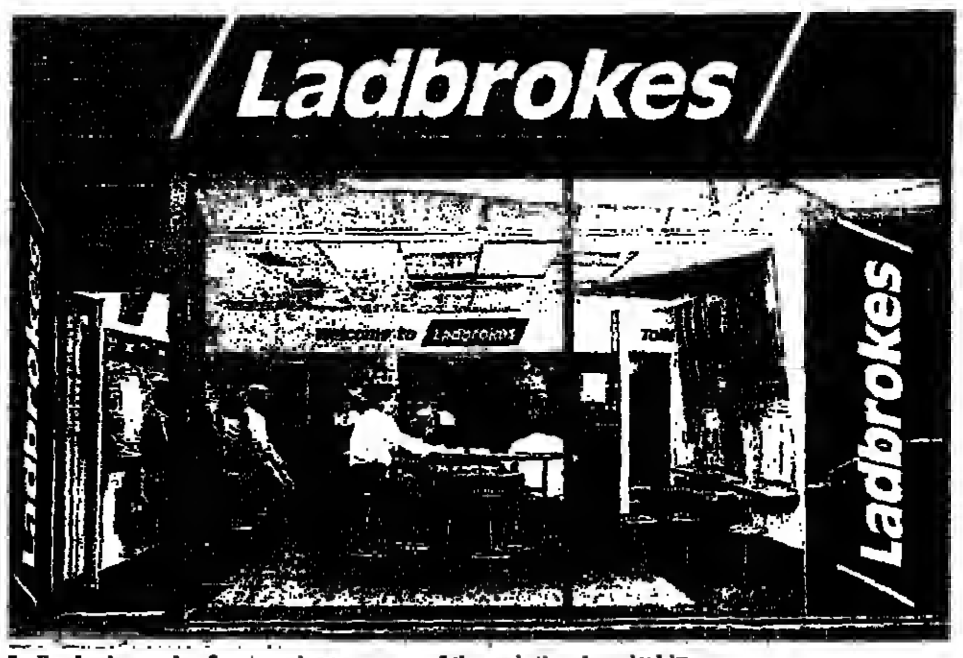
Ladbrokes, which has 1,900 betting shops, said it would "significantly increase" investment in refurbishment to £75m over the next three years to take advantage of the changes.

William Hill, the 1,800-strong chain owned by Brent Walker, said it would continue to invest about £8m e year.

Mr Chris Bell, deputy managing director of Ladbrokes, said: "It is ludicrous that the public have not been able to see that the interior of a betting shop is far removed from the traditional image, or buy e snack other than crisps or confectionery when inside."

The rules, which date back to 1961 when off-course betting was legalised, were designed to limit the attraction of betting shops to the young and impressionable. The industry has lobbied hard for their removal, particularly in the face of competition from the National Lottery.

Coral, the 700-shop chain owned by Bass, said the most important change was to allow ordinary shopfronts. "It will demystify betting shops and help attract people who have not been in one before."



Ladbrokes' new shopfront: no longer a case of through the glass darkly

Bookmakers have known changes were likely for over a year and have ensured that shops refurbished receotly could be adapted quickly. "We will be putting in new shopfronts as soon as the law is changed early next year," said Coral.

Ladbrokes bes elready designed a new format for its shops and fitted one out as a pilot.

Betting shops wlii be allowed to display race and betting information in their windows and provide larger television screens, curreotly restricted to 30 inches. They will be able to offer "hand-held" food, such as burgers and chips, but the ban on alcohol will remain. Mr Howard hos made clear that the changes should not result io betting shops becoming "general entertainment centres".

Hollas restructuring starts to pay off

By Tim Burt

Hollas, the Manchester-based clothing and textilee group, yesterday announced details of its restructuring programme aimed at transforming the company into e broadly-based garment supplier.

The group, which acquired clothing companies JB Hunter and Textilion in March following an £18.3m rights issue, said it was pursuing "significant opportunities" among both high street retailers and industrial customers.

The strategy follows the appointment last autumn of Mr Julian Lee as chief executive, who yesterday announced pre-tax profits of £165,000 for the year to March 31 against restated losses of £7.3m.

The 1993 figures were readjusted under FRS 3 to take account of £7.9m of goodwill written off on the 1989 acquisition of Hawkshead, the 50 per cent-owned mail order company.

Mr Lee said the small profit last year was due entirely to contributions by Gardiner, the clothing import business.

Turnover, however, fell slightly from £44.3m to £43.8m and Mr Lee warned: "This company would have been dead within three years if it had remained an importer."

Operating profits fell from £1.02m to £756,000, although Mr Lee said there would have been an increase had the company not made a £280,000 compensation payment to Mr Tony Lawson, who stepped down as chief executive to become non-executive chairman.

In other management changes, Mr Roger Wallwork, finance director for more than 20 years, has been replaced by Mr Paul Baddiley. Mr Jaymin Trivedi has left the board to concentrate on Gardiner Trading, the group's Hong Kong associate; and Mr Robert Jackson, a former director at Charterhouse Tilney, has joined as director responsible for corporate development.

Although losses per share fell from a restated 12.28p to 0.12p, the final dividend is cut to 0.3p, making 0.6p (1.2p) for the year.

Oceonics falls to £1.3m loss

Oceonics Group, the Norfolk-based survey services group, reported a slide into pre-tax losses of £1.28m in the year ended March 31.

There were profits of £1.61m last time, restated for FRS 3.

The company said the opereting environment continued to worsen in the second half, particularly in the North Sea. It had also suffered a slowing in business in Nigeria since December because of the political climate.

However, new orders had been won in South Africa, and a new base established in Cape Town, directors said.

Current trading remained difficult and operating losses continued, they added, although action had been taken to maintain overheads at an appropriate level. They looked forward to a better trading environment in 1995.

Turnover slipped to £24.1m (£30.7m) and operating losses amounted to £1.29m (£2.23m profits).

Losses per share emerged at 1.6p (0.2p earnings).

The second tranche of dividend arrears relating to the preference shares redeemed last year is being delayed and the company is unable to pay the convertible preference share dividend.

Flotation gives Copyright Promotions £12m price tag

By Caroline Southey

Copyright Promotions Group, best known for handling the marketing rights to cartoon characters such as the Flintstones, Captain Scarlet, Mr Men and Thunderbirds, is being floated via a placing and offer giving it a market capitalisation of £12m.

It is being spun-off by Mosaic Investments, the mini-conglomerate. Mosaic will receive £3m in cash raised from the placing and 3m shares worth £3.6m at the placing price of 120p. The placing and offer is fully underwritten by Charles Stanley, a small London broker.

A total of 3m new shares, out of a total of 10m, will be issued of which half are subject to clawback by existing Mosaic shareholders on the basis of one CPG share for every 29 Mosaic ordinary shares or 6.67 preference shares.

Mosaic will retain a 30 per cent shareholding. Four members of CPG's management, including the company's co-founders Mr David Cardwell, chief executive, and Mr Richard Cully, managing director, will hold a 40 per cent stake.

Mr David Williams, Mosaic's chairman, will serve as a non-executive chairman and Ms Sue Ball, Mosaic's finance director, has been appointed part-time finance director.

Mr Cardwell said the listing would increase the profile of CPG and improve its market position in the UK. CPG is also involved in advertising consultancy and character costume manufacture.

Mr Williams said the underlying value of CPG was not fully reflected in Mosaic'e market capitalisation and the flotation would increase shareholder value.

He added that CPG's performance had been overshadowed by difficulties at Mosaic, which is engaged in licensing and design, display products and specialist packaging.

Mosaic will set aside £1m of the £3m cash payment from CPG to indemnify CPG against development costs incurred by ELG, its European joint venture, and has also granted CPG a £750,000 two-year, interest-free loan.

Character licensing generates more than 50 per cent of CPG's turnover. It receives commission on gross royalty income by acting as the matchmaker between character licensors and licensees sucb as manufacturers and retailers like Marks and Spencer, Tesco, Mothercare, Burton and Pizza Hut.

Mr Cardwell said future earnings potential was underpinned by income from long-standing "classic characters" although it would be influenced by revenue from new "hot characters".

The company expects income to be boosted in the coming year by royalties from the Flintstones following this week's release of Steven Spielberg's film of the famous American cartoon characters.

The company's costs were low, he said, with no stock and 75 employees.

In the year to April 30, CPG reported pre-tax profits of £567,000 (£212,000) on turnover of £4.95m (£4.07m).

Dealings in the shares are expected to begin on August 15.

McKay shares jump on sharp advance to £3m

Shares in McKay Securities rose 16p to 187p yesterday as the property investor and developer reported doubled pre-tax profits for the year to end-March.

The profits increase – np from £1.5m to £3m – was helped by a reduced interest charge of £2.57m, against £3.89m, and benefited from the absence of one-off charges – last year's figure included £686,000 of refinancing costs.

Gross rental income was marginally down from £8.96m to £8.39m as were service charges, which amounted to £1.6m (£1.88m). Income from investment properties also fell, from £7m to £6.49m. Comparatives were restated to comply with FRS 3.

Earnings per share emerged at 10.7p (4.2p) and a recommended final dividend of 3.1p raises the total for the year to 5.2p (3.5p).

Reorganisation costs push CMA into red

Reorganisation costs and asset write-downs totalling £505,000 left Central Motor Anctions with pre-tax losses of £420,000 for the six months to April 30, against profits of £347,000.

The USM-quoted company is involved in running anction centres. It is being refocused to provide further services to the vehicle disposal and remarketing market.

Auction proceeds were higher at £152.1m, against £144.2m, bowever income was lower at £5.2m (£5.27m). Units sold fell by 3.3 per cent despite units offered rising by 13.3 per cent, resulting in higher operating costs. Action has been taken and April saw an increase in units sold.

Interest payable fell by £46,000 to £143,000.

Losses per share came out at 3.1p (earnings 1.81p) and the interim dividend is halved to 0.5p.

NEWS DIGEST

Dowding & Mills $1.7m acquisition

Dowding & Mills, the electrical and mechanical services group, has acquired Apparatus Sales and Service, based in Salt Lake City, Utah, for $1.7m (£1.11m). The company rewinds and repairs electric motors.

In 1993 Apparatus broke even on turnover of $2.1m.

Scottish American

Scottish American Investment announced an 18 per cent increase in net revenue from £3.84m to £4.55m for the half year to end-June.

The figures compared with £10.3m for the full year to the end of 1993.

Net asset value per share rose from 163.1p to 175p.

Earnings per share came out at 2.03p (1.72p). A second interim dividend of 1.2p is declared, making 2.39p (2.29p) to date.

de Morgan

Directors of de Morgan Group, the commercial and industrial property advisory company, said yesterday that discussions concerning e "substantial" acquisition had been terminated.

A fund raising exercise is under consideration to satisfy future development and to meet professional and other costs of the aborted purchase.

Ramco Energy

Ramco Energy, the USM-quoted energy services company, has placed 910,000 ordinary shares with UK and US institutions.

Shares in the Aberdeen-based company were placed et 135p, a 4.2 per cent discount to Tuesday's close of 141p.

The company said proceeds would be used to reduce group borrowings.

Emap

In view of the judicial review being sought by Guardian Media Group concerning Emap's offer for Trans World Communications, Emap said it was to delay the posting of its offer document.

Emap will take a full part in the review, which is expected to be heard on July 27.

The company will, subject to any ruling by the Takeover Panel, post its offer document to Trans World shareholders within seven business days after the judgment is given or by August 8, whichever is the sooner.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Central Motor §	int	0.5	Oct 3	1	-	4
Colefax & Fowler	fin	0.5	Oct 3	0.5	1	1
Eve §	fin	8	Sept 15	7.3	11	10
Hollas	fin	0.3†	Oct 3	0.6	0.8	1.2
McKay Securities	fin	3.1	Oct 6	3.5	5.2	3.5
Scot American	int	1.2★	Oct 5	1.15	-	4.63
Smith (David S)	fin	8	Oct 3	7.25	10.75	10

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ★Second interim making 2.39p to date.

Beauford capital reconstruction

Beauford, the engineering and ceramics group, said the High Court had confirmed the reduction of its share premium account by £4.5m and a £3.56m reduction in its share capital to £6m.

Accordingly, the negative balance on the profit and loss account had been eliminated and the company would be able to pay dividends on any future profits.

Beauford cut its pre-tax loss from £26.4m to £7.43m in 1993.

Restructured Mosaic returns to the black with £1m

Mosaic Investments, the licensing and design, display products and specialist packaging group, returned to the black with pre-tax profits of £1m for the year to April 30, writes Caroline Southey.

Last time there were losses of £14.8m, restated for FRS 3.

The company also announced the separate listing of Copyright Promotions Group, its wholly owned subsidiary in which it will retain a 30 per cent holding.

Mosaic's sales fell from £31.2m to £21.4m, although turnover from continning operations rose marginally to £20.4m (£20m).

Operating profits were £1.51m (£1.47m), inclnding losses of £100,000 (£460,000) from discontinned activities. The pre-tax result last time was after exceptional restructuring charges of £15.4m.

Mr David Williams, founder and chairman, who returned to Mosaic in February after leeving in 1991 following boardroom disagreements, said the results "demonstrated that Mosaic has returned to a position of financial stability".

He said the flotation of CPG was the beginning of his strategy to refocus the company and shareholders shonld expect the process to continne.

Mosaic's shares were suspended between September 1992 and May 1993 because it could not raise sufficient funds to redeem a preference share issue.

Mr Williams said the relisting had been achieved by the disposal of lossmaking activities, the arrangement of new banking fecilities to provide adequate working capital and the settlement of obligations relating to deferred consideration.

A further boost came from Montagu Private Eqnity Investments subscribing to a preference share issue in February.

Earnings per share were 0.78p (91.42p losses). There is again no dividend.

Eve static following interest income setback

By Tim Burt

Eve Group, the USM-quoted civil engineering group, blamed sluggish trading conditions in the construction industry for a flat performance in the year to March 31.

Pre-tax profits fell slightly from £4.15m to £3.9m despite a 16 per cent increase in turnover to £61.6m (£53m).

Mr Peter Adams, finance director, said the decline was exacerbated by a sharp fall in interest earned on the group's deposit funds, which fell from £487,000 to £181,000.

Although operating profits were virtually unchanged at £3.68m (£3.66m), he claimed it was "a creditable performance given the battering the industry has taken during the recession".

The shares, however, fell 25p to 383p.

Gross margins declined from 8.6 per cent to 7.5 per cent and profits in contracting – the largest of the company's three business sectors – fell from £3.95m to £3.65m.

Mr Graham Foster, managing director, hinted that the results would have been worse had it not been for increased orders in the transmission division, which designs and manufactures overhead power line systems and communication towers. It had won a number of contracts for the National Grid network and had opportunities to win orders in France and Italy, he added.

Mr Foster also hailed an improved contribution from Trakway, the portable road and walkway division, which increased profits from £1.21m to £1.34m.

Losses in the property development division, meanwhile, were cut from £576,000 to £390,000 although the company warned that activity remained subdued.

Earnings per share fell from 27.4p to 25.4p.

While expressing disappointment at the pace of recovery in the construction industry, Mr Foster said the company was confident enough about future prospects to recommend an increased final dividend of 8p, making a total of 11p (10p) for the year.

Colefax consolidates recovery

By Graham Deller

Steadily improving conditions in the UK and the US helped Colefax & Fowler Group to consolidate on the return to profit shown at the interim stage.

During the 12 months to April 30, the wallpaper and furnishing fabrics manufacturer swung from losses of £396,000 to pre-tax profits of £331,000, struck after an exceptional charge of £211,000 following the disposal of a freehold warehouse in New Jersey. The group had returned to the black at half way with a modest profit of £50,000 (losses of £192,000).

Overall sales rose 22 per cent, from £28.8m to £35.2m.

Turnover in the product division rose by 10 per cent. Trade sales expanded by 15 per cent in the UK, by 25 per cent in Europe and by 48 per cent in the rest of the world, excluding the US. Retail sales, however, remained difficult and dipped by 10 per cent.

Turnover in the US showed an 8 per cent increase in dollar terms – the first material growth since 1991, according to Mr David Green, chief executive, reflecting a showroom refurbishment programme and slightly improved market conditions.

The group's decorating division had had an "exceptional year", Mr Green said, with turnover ahead 75 per cent; this, in turn, had a beneficial impact on antique sales which rose by 41 per cent.

Kingcome Sofas, the upholstered furniture operation, lifted turnover by 9 per cent following increased factory efficiencies and improved trade demand, which is continuing into the current year, he said.

Gearing at the year end was 33 per cent (40 per cent).

Earnings emerged at 0.8p, against losses of 1.05p; the final dividend is held at 0.5p for a maintained total of 1p.

Taking a leaf from the car industry's book

David Blackwell on Aerostructures Hamble's new approach to making aircraft parts

In the 1930s the slipway at Aerostructures Hamble was used to launch seaplanes; in the 1990s it is being used to dispatch the cargo door of a single transport plane.

The door, built for the cargo aircraft used to ferry sections of Airbus airliners to Toulouse for final assembly, measures 8 metres by 8 metres by 8 metres and weighs 2.5 tonnes. That is far too big to take down the lane through Hamble without removing power lines and other obstacles.

The Hampshire-based aircraft components maker completed the first of four doors late last year, 18 months after the initial order. It was taken down Southampton Water by barge, across the Channel and floated up the Dordogne river.

The people in 30 villages en route to the final destination of Toulouse were not so lucky as the Hamble villagers. They had to take down their Christmas decorations to let the load past.

Work on the next cargo door has started on the enormous and robust jigs built specially for the job.

Mr Howard Wyman, operations director, believes the speed of execution of the order and its delivery on time – "totally foreign to the aircraft industry" – reflects the company's fresh approach to managing an aircraft component manufacturer.

It is working hard to introduce Japanese techniques devised by car manufacturers, and stressed these new capabilities when it was floated on the stock market in May.

The company's history began, however, in 1936 and reflects the many changes undergone by the British aerospace industry. As Folland it made the Midge and Gnat aircraft. Hawker Siddeley took it over in 1963; the aircraft manufacturing side was nationalised as part of the British Aircraft Corporation, which was privatised in 1979.

It became Aerostructures Hamble in 1989, when British Aerospace decided to make it more accountable as a profit centre. Mr Andy Barr, chief executive, joined from Rover Group and led a £46.7m management buy-out in 1990.

There are now 10 senior managers, including Mr Barr and Mr Wyman, who have come from Rover, where Japanese management techniques were the norm.

"You have got to get it right first time, like the Japanese carmakers do," said Mr Wyman. He believes that if the introduction of a product is correct, everything will run smoothly, whereas a false start will turn everything into an uphill battle.

A tour of the factories shows the group's continuing investment in new equipment, including riveting machinery, a large press, machine tools, and a world class aluminium finishing plant.

"We are upgrading our equipment," said Mr Barr in his office – a beautifully proportioned room with a high ceiling, decorated with birds and flowers, in a listed 1750s house guaranteed to impress potential customers. "But that's not very relevant to what we are doing."

The company is also concentrating on statistical process control, known as SPC, which sets narrow parameters within which a component must fall. Under old methods, a part would be made and then measured to see if it fitted. But with SPC and computer technology "you know it's going to come out right", explained Mr Wyman.

In order to get things right first time, the group approaches each new project through a multidisciplinary team with a manager who becomes the main contact with the customer. People are seconded from other parts of the 1,500 workforce, which has been divided into 12 "cells".

The manager sticks with the team right through the project, from the initial bid to the finished project.

While some of the team members might change, there is a consistent thread running through a project from initial conception to final delivery. "The whole idea is to get a seamless process," said Mr Wyman, in contrast with the old methods of passing a project from one department to another.

The team's brief is to come up with a product which can be made repeatedly to tight quality and budgetary parameters. The process includes a presentation to the shop floor and a preliminary design review that can also involve the customer. "We want the considerable wisdom of the company involved in a project," said Mr Wyman.

For a high technology industry the method of showing progress with work in hand is very old – coloured pins and charts on a large board. A mass of blue pins clearly illustrates that things are going well.

Modern methods ensure that the component will be a perfect fit

Daily quality control meetings, detailed analysis of rejected goods, and a suggestions scheme in which 55 per cent of the staff have taken part, have all been introduced in the past few years. The group is also working towards scrapping its aluminium store, and relying on just in time delivery to specific parts of the factory.

Perhaps more novel is the logical reorganisation of the stock room, so that parts needed for a particular job are kept side by side on the shelves.

"Kitting" has been introduced, through which parts are dispatched to a customer in a carefully laid out package. Any part missing is immediately visible – a simple innovation that has revolutionised the traceability of orders and saved hours of argument.

The company claims nothing new in its management strategy, but it does claim its methods are new in the aircraft components industry. Mr Wyman gives the example of hourly reports – second nature to the car industry – which were introduced in the detail machine shop and doubled output in two weeks.

In the past three years margins have increased from 8.9 per cent to 11.3 per cent. The company's reliance on its former owner, BAe, which accounted for 93 per cent of its business in 1990 and 78 per cent last year, is expected to fall further this year.

It has been successful in getting new orders and now has an impressive blue chip customer base, including Boeing, McDonnell Douglas, Vought and Raytheon.

"We've got the strategies in place and we will get better. The techniques are well known – but you need persistence," said Mr Barr. "We are getting leaner all the time – but it gets tougher as you go on."

Distributable income reduced by R29 million transition levy

Gold price received
– 8% up on previous quarter
– 23% up on June 1993 quarter

Working costs per kilogram increased by
– 5% on previous quarter
– 15% on June 1993 quarter

Gengold

Final dividends were declared as follows (cents per share or stock unit):

– Beatrix	50	– Stilfontein	75
– Buffelsfontein	140	– St Helena	155
– Grootvlei	25	– Unisel	20
– Kinross	180	– Winkelhaak	130
– Leslie	30		

SUMMARY OF GOLD MINING COMPANIES' RESULTS FOR THE QUARTER ENDED 30 JUNE 1994

		Beatrix Mine (A division of Buffelsfontein)	Buffelsfontein Gold Mining Co Ltd	The Grootvlei Proprietary Mines Ltd	Kinross Mines Ltd	Leslie Gold Mines Ltd	Oryx Mine (A division of St. Helena)	St. Helena Gold Mines Ltd	Stilfontein Gold Mining Co Ltd	Unisel Gold Mines Ltd	Winkelhaak Mines Ltd
Company registration number			05/33934/06	01/02068/06	63/08228/06	59/01124/06		05/20743/06	05/33412/06	72/10884/06	55/03606/06
Issued shares		Beatrix Mines Limited 94 000 000 ordinary	11 000 000 ordinary 15 289 000 cum pref	11 436 816 ordinary	18 000 000 ordinary	18 000 000 ordinary	Oryx Gold Holdings Limited 195 000 200 ordinary	9 625 000 ordinary 3 825 035 "A" cum pref 3 825 035 "B" cum pref 2 465 000 "C" cum pref	13 062 920 ordinary	28 000 000 ordinary	12 180 000 ordinary
Operating results											
Gold produced (kg)	Jun 94	3 224	2 852	640	2 850	681	46	1 299	363	930	2 403
	Mar 94	3 220	3 080	662	3 030	678	32	1 350	271	973	2 602
	Financial year	13 220	13 098	3 845	9 075	2 048	316	7 415	1 790	2 847	7 736
Yield (g/t)	Jun 94	6,2	6,3	5,3	6,5	6,7	1,6	7,6	1,3	5,7	6,7
	Mar 94	6,2	6,4	5,5	6,5	6,7	2,3	6,9	1,0	6,1	6,7
	Financial year	6,3	6,4	5,5	6,6	6,7	1,7	6,8	1,1	6,0	6,7
Ore milled (tons)	Jun 94	520 000	456 000	120 000	440 000	101 000	29 000	172 000	272 000	163 000	358 000
	Mar 94	520 000	480 000	120 000	465 000	101 500	13 900	195 000	282 000	160 000	393 000
	Financial year	2 101 000	2 056 000	702 000	1 382 000	306 000	187 000	1 090 000	1 694 000	473 000	1 161 000
Gold price received (R/kg)	Jun 94	42 780	42 745	42 783	42 861	42 580	43 790	42 865	42 785	42 617	42 680
	Mar 94	39 582	39 865	39 442	39 655	39 698	40 008	39 590	39 563	39 714	39 607
	Financial year	39 762	38 861	37 540	40 120	40 110	38 911	37 856	37 650	40 208	39 998
Working costs (R/kg)	Jun 94	24 165	38 253	36 480	27 125	33 633	Working costs are capitalised	32 889	24 198	35 470	34 664
	Mar 94	24 207	35 761	34 074	25 249	29 975		31 799	32 232	33 076	31 638
	Financial year	23 327	33 376	33 329	25 493	30 521		31 665	30 435	33 845	32 301
Financial results (R'000)											
Working revenue	Jun 94	138 680	122 765	27 734	123 626	29 321	–	55 897	15 631	39 742	104 027
	Mar 94	127 455	122 785	26 153	120 562	27 053	–	53 447	10 722	38 642	103 769
	Financial year	526 413	518 539	145 110	366 444	82 786	–	281 609	67 656	114 586	312 303
Working costs	Jun 94	77 908	109 087	23 347	77 306	22 904	–	42 722	8 784	32 987	83 298
	Mar 94	77 947	110 145	22 557	76 505	20 323	–	42 928	8 735	32 183	82 316
	Financial year	308 392	437 156	128 149	231 345	62 507	–	234 794	54 479	96 358	249 849
Sundry income – net	Jun 94	2 753	3 017	1 725	2 867	541	384	2 367	683	643	3 498
	Mar 94	2 227	2 956	1 831	3 062	576	410	2 103	1 147	667	1 754
	Financial year	10 247	12 930	9 413	9 277	1 631	2 480	11 378	16 347	2 081	8 003
Tribute and royalties – payments/(receipts) net	Jun 94	20 802	920	(3)	(836)	22	–	(5 302)	–	222	818
	Mar 94	19 119	1 386	472	284	19	–	(6 931)	120	196	–
	Financial year	78 962	6 173	1 685	284	50	–	(35 255)	515	642	1 061
Tax and lease	Jun 94	21 956	1 173	2 282	28 506	5 203	–	14 242	5 364	3 190	9 813
	Mar 94	11 596	(4 887)	1 075	20 690	3 124	–	7 692	–	1 291	10 220
	Financial year	65 252	23 153	6 642	70 365	10 281	–	47 129	5 364	4 481	33 488
Capital expenditure/(recoupments)	Jun 94	10 293	10 587	2 552	5 366	749	74 781	622	(1 273)	778	6 593
	Mar 94	7 183	10 089	1 319	5 981	(684)	72 433	656	(2 120)	1 776	323
	Financial year	44 967	32 820	7 597	18 762	2 807	451 695	4 851	(8 224)	6 526	6 916
Distributable income	Jun 94	10 474	4 005	1 281	16 151	984	–	5 990	3 439	3 208	7 003
	Mar 94	13 837	9 008	2 581	20 184	4 827	–	10 205	5 134	3 863	12 684
	Financial year	49 087	31 954	10 450	54 965	8 772	–	41 468	31 869	8 680	29 992
Dividends	Jun 94	11 500	15 400	2 880	32 400	4 800	–	14 919	9 797	5 600	15 834
	Mar 94	13 500	–	–	–	–	–	–	–	–	–
	Financial year	45 000	33 550	9 152	48 600	7 200	–	36 613	23 513	7 000	24 360
Forward sales											
Contracts closed during the quarter	Kilograms	622	736	120	578	129	–	228	91	197	529
	Price (R/kg)	38 134	38 134	38 134	38 134	38 134	–	38 134	41 000	38 134	38 134
Outstanding contracts	Kilograms	–	–	–	–	–	–	–	224	–	–
	Price (R/kg)	–					–		44 302		
	Expire on or before						–		Oct 1994		
Capital expenditure											
Estimated for the next six months	(R mil)	23,5	31,2	6,5	19,0	2,7	167,0	3,6	–	4,3	19,8
Estimated life of mine production											
Life of mine – tonnage (million metric tons)		52,1	6,7	6,6	31,0	3,1	Update pending additional reef development	6,2	No economical reserves	15,5	27,0
– yield (g/t)		5,9	7,1	5,5	6,2	6,0		7,5		5,8	6,2
– total gold: '000 kg		305	47	36	193	19		46		102	166
: '000 oz		9 806	1 513	1 164	6 218	604		1 489		3 289	5 336

1. Provision has been made for the 5% transition levy in the tax and lease figures for the quarter.
2. The dividends declared are payable to members of the companies concerned registered at the close of business on 5 August 1994.

   The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 2 September 1994, or the first day thereafter on which a rate of exchange is available.

   Dividend warrants will be posted on 15 September 1994.

   In the case of non-resident shareholders, the applicable taxation will be deducted.

   The full conditions of payment may be inspected at or obtained from the Registered office.
3. All financial figures are unaudited.
4. The companies are incorporated in the Republic of South Africa with financial year ends on 30 June.

By order of the respective boards

Gencor SA Limited
Secretaries
per: T K Savage
Senior Divisional Secretary

Johannesburg, 19 July 1994

Registered office
General Mining Building
5 Hollard Street
Johannesburg 2001
(PO Box 61820, Marshalltown 2107)
(Tel (011) 376-9111)

London office
Gencor (U.K.) Limited
30 Ely Place
London EC1N 6UA
(Tel (071) 404-0873)

GENCOR GROUP

Buffelsfontein
76 000 (March 1994: 95 000) tons of surface material at a grade of 0,9 (March 1994: 1,0) grams per ton were treated during the quarter.

Oryx
Cumulative expenditure capitalised to date amounts to R1 925 million, inclusive of interest of R347 million. Please refer to the separate announcement published elsewhere in this newspaper dealing with the future funding of the mine.

St Helena
Treatment of slimes by Free State Consolidated Gold Mines (Operations) Ltd yielded a profit of R4,8 million for the quarter, which is included under tribute and royalties.

Estimated life of mine production
A gold price equivalent to R42 500 per kilogram (R 1 322 per ounce) has been used in calculating the life of mine production estimates. These estimates are based on data which is continually reviewed and could change significantly with additional geological information. A summary of the assumptions used in the calculations will be incorporated in the annual reports for the financial year ended 30 June 1994.

Second-quarter drop for First Maryland Bancorp

First Maryland Bancorp, the wholly owned US subsidiary of Allied Irish Banks, reported net income down 10 per cent from $31m to $28m (£18.4m) for the second quarter of 1994. For the half year, net income was $54.1m, against $59.5m.

Net interest income in the three months was down by $2.3m because of a lower net interest margin while non-interest income declined by $9.4m, mainly reflecting a lower level of realised securities gains. However, there was a $5.7m reduction in provision for bad debts.

Return on assets for the six months fell from 1.29 per cent to 1.13 per cent. At June 30 non-performing loans of $83.6m represented 1.59 per cent of total loans.

PUBLIC WORKS LOAN BOARD RATES
Effective July 19

	Quota loans*					
	'Lower' quota rates			'Higher' quota rates		
Years	EPT†	Ann††	maturity§	EPT†	Ann††	maturity§
1	–	–	5⅝	–	–	5¾
Over 1 up to 2	6	6	6⅞	6⅛	6⅛	7
Over 2 up to 3	6⅝	6⅝	7½	6¾	6¾	7⅝
Over 3 up to 4	7⅛	7⅛	8	7¼	7¼	8⅛
Over 4 up to 5	7⅜	7½	8¼	7½	7⅝	8⅜
Over 5 up to 6	7⅝	7¾	8⅜	7¾	7⅞	8½
Over 6 up to 7	7⅞	8	8½	8	8⅛	8⅝
Over 7 up to 8	8	8⅛	8½	8⅛	8¼	8¾
Over 8 up to 9	8⅛	8¼	8½	8¼	8⅜	8⅞
Over 9 up to 10	8¼	8⅜	8½	8⅜	8½	8⅞
Over 10 up to 15	8½	8½	8½	8¾	8⅞	8⅞
Over 15 up to 25	8½	8½	8½	8⅞	8⅞	8⅞
Over 25	8½	8½	8⅜	8⅞	8⅞	8¾

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § with half-yearly payments of interest only.

Finance; the economy; the health service and the rush for new homes **Page II**

FINANCIAL TIMES SURVEY

ALBANIA

Adriatic's unpolished jewel awaits tourism; freedom for farmers; investors **Page III**

Thursday July 21 1994

The secret country opens its doors

After the collapse of Europe's most repressive Stalinist regime, **Anthony Robinson** and **Laura Silber** examine Albania's first steps in freedom

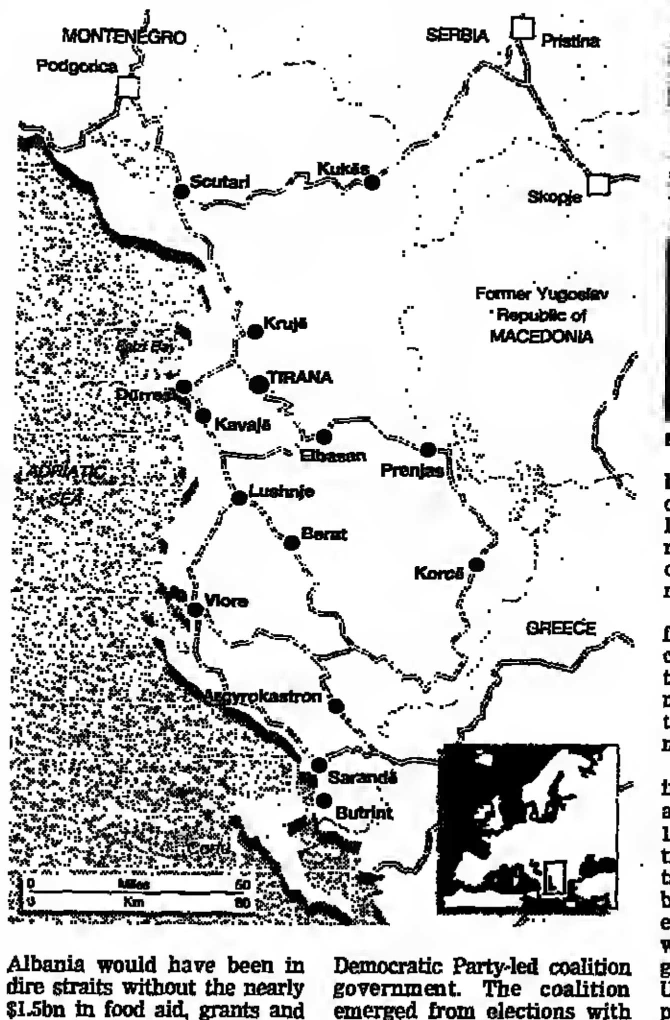
After 50 lost years as one of the most isolated countries in the world, Albania has re-emerged over the last three years with a strong desire to rebuild its economy and shattered society.

Like other post-communist states it also seeks to re-integrate into Europe while playing a more activa role in the volatile Balkan region where millions of ethnic Albanian live across the border in Kosovo, Macedonia and Montenegro.

Much progress has been made since 1990-91 when this small, mainly mountainous country of 3.2m people was on the verge of anarchy while the hated secret police of the dying communist regime installed by Enver Hoxha in 1945 sought vainly to forestall its collapse.

Wild rumours swept the country as thousands of desperate young people clambered on to ancient boats or slipped across the frontiers by mountain tracks to seek a new life in a wider world known only by listening to forbidden foreign radio and TV programmes.

Italy, just across the Adriatic, was most fearful of incipient civil war and of destabilising waves of immigrants and hastily put together an emergency relief programme. For 18 months the Italian army delivered food and other aid throughout a country whose invasion by Mussolini's troops in 1939 marked one of the least glorious chapters in Italo-Albanian relations.



It was a great success. The exodus was halted, but not before more than 300,000 people, mainly young work seekers, had found some form of refuge and employment abroad.

Three years later these emigrants have become the mainstay of an economy kept afloat by a cocktail of remittances and foreign aid.

Emigrant remittances totalled $330m last year, compared with the $300m received in foreign aid, although Albania would have been in dire straits without the nearly $1.5bn in food aid, grants and low interest loans which governments and international institutions poured in over the last three years, and which they have pledged to continue at a rate of around $300m annually until 1996.

Stability started to return after the general elections of March 1992. Western governments, the EU Phare programme, international financial and other institutions moved in with technical assistance and financial support for President Sali Berisha and the Democratic Party-led coalition government. The coalition emerged from elections with an absolute majority and a programme for completing free market reforms begun by the interim government under the aegis of economists Mr Gramoz Pashko and Mr Genc Ruli, both of whom are now out of government.

The army and secret police were purged but the inherited administrative organs remain ill-equipped to provide the services demanded of a modern state.

The democratic credentials of Albania, meanwhile, will not be fully recognised until a new constitution and new civil and legal codes are introduced to replace the amended versions of the old Hoxha-era documents still in force.


Markets have sprung up all over Tirana, selling imported goods as well as meat and produce from the privatised farms Picture: Anthony Robinson

All three are expected to be finalised this year although the constitution requires a two thirds majority in the parliament which currently eludes the government led by prime minister Alexander Meksi.

Albania, which achieved independence from Turkey after the third Balkan War in 1912, has no real democratic tradition and the 50 year totalitarian dictatorship established by Enver Hoxha destroyed the economic and social basis which would normally have given rise to a middle class. Under these circumstances, politics tend to be highly personalised while institutional and legal guarantees are weak and often unenforceable.

Strengthening the social, economic and above all legal underpinnings of Albania's fledgling democracy will take time and imposes a steep learning curve on both the government parties and the opposition. The latter is headed by the socialist party successor to the communists whose most capable leader, Mr Fatos Nano, is in jail.

Albanians, from the president down, constantly repeat that "changing the mentality of people is the hardest task" and seem aware that democracy and stability will best be guaranteed by sustained economic growth and the avoidance of conflict over the status of ethnic Albanians in the neighbouring former Yugoslav states and tension with Greece over the status of ethnic Greeks in the southern part of Albania.

Western embassies in particular stress that Albania's continuing access to western credits and investment reflect its strategic importance and require Tirana to play a constructive and cautious role in support of regional stability.

The over-riding imperative of the US and EU governments is to prevent conflict between the two regional Nato states – Greece and Turkey.

Albanian politicians can help by calling on the Albanian diaspora to show patience and moderation, especially in Kosovo and Macedonia which has ethnic Greek as well as Albanian and other minorities and where Bulgaria, Greece and Turkey all have competing historical claims.

Diverting Albanian energies into economic reconstruction and the acquisition of modest wealth is seen by western embassies and institutions as a key to national and regional stability.

Progress to date is encouraging. The first economic reforms were dictated by necessity. Most of the large, heavily polluting and loss making factories built with obsolete technology by Soviet and later Chinese technicians in the 1960s and 1970s have been closed and the hated collective and state farms have been abolished.

At first unemployment soared in urban areas while in country districts, where 65 per cent of the population live, collective farm buildings were looted, machinery was broken and trees were cut down for fuel. Unemployment is still officially around 30 per cent of the non-farm workforce and poverty, although not hunger, remains widespread.

But the abolition in May 1992 of unemployment pay at 80 per cent of previous salary, introduced by the last communist regime to ease the pain of plant closures, forced the jobless to find new employment. Thanks mainly to emigrant remittances and the abolition of all restrictions on foreign exchange dealing and foreign trade, thousands rapidly found employment in a fast growing private trading sector.

The service sector as a whole provided only 12 per cent of employment under the old regime with its heavy bias towards heavy industry and collectivised agriculture. It is now expanding fast as deregulation, privatisation and the abolition of subsidies have combined with emigrant remittances to create fast rising disposal incomes.

The highly visible result is a frenetic demand for all sorts of consumer imports – from luxury foods to televisions, satellite dishes and second hand cars. This demand-led economy has created new jobs in retailing, storage, transport and other services.

At the same time de-collectivisation created 400,000 new peasant farmers able to feed themselves and freed from the onerous restrictions which for decades had prevented private citizens from even raising chickens or other livestock. Last year food output rose by at least 15 per cent and food imports plummeted 50 per cent.

With macro-economic stabilisation achieved by 1993, policy makers are now moving ahead to tackle the structural deficiencies which must be removed if the state as a whole is to be modernised and Albania's resources fully used.

These resources are substantial. Albania boasts the third largest deposits of chromium in the world after South Africa and Kazakhstan, and related deposits of copper and other non-ferrous metals. Most of the mines, operated for decades by prison labour, are currently moribund.

The country also has extensive onshore and offshore oil and gas deposits, although the former have been badly exploited by ancient technology for over half a century and the latter are not yet proven in commercial quantities. Canadian Occidental, Agip of Italy and Premier Oil of the UK are among foreign oil companies currently searching for viable deposits.

Above all, decades of enforced isolation have left Albania with more than 320 kms of virgin coastline suitable for the development of high quality tourism, and a wealth of hardly visited Greek, Roman and Byzantine archeological sites and "museum cities" such as Gjirokastro.

Exploiting these resources in a profitable and ecologically satisfactory way will require heavy investment over many years, not just in specific projects but above all in the associated infrastructure required to underpin the modern, market-oriented economy on which Albanians are setting their sights by the end of the century.

■ **Interview:** PRESIDENT SALI BERISHA

A navigator in the stormy Balkans

For President Sali Berisha, the cardiologist who led his Democratic Party to a landslide victory in March 1992, the end of isolation coupled with price, foreign exchange and trade liberalisation and the abolition of collective farms, has transformed Albania's prospects.

"Isolating Albania was the greatest crime committed by Enver Hoxha, the former dictator. At least the other communist countries had more or less open borders with each other and trade and diplomatic relations with the outside world. Albania had virtually nothing. Hoxha was the only European leader who did not even sign the Helsinki Final Acts [the east-west European security pact]," he says.

But after decades under a brutal and obscurantist regime Albania is now in the hands of a younger generation determined to integrate the country into the European mainstream. "We are having to learn, apply new ideas and implement them all at the same time," he says.

The experience of the last two years has made him an impassioned supporter of the fast-track approach to economic reform. "Shock therapy is a bitter pill, but it is a brilliant invention. We have been prepared to sacrifice popularity by pressing ahead with reforms. The hardest of all was the decision in July last year to liberalise bread prices three days before local elections. We lost votes, but since then we have not had to worry about the arrival of grain shipments from abroad and the granaries are full," he says.

"We are still the poorest country in Europe, but GDP grew by over 10 per cent last year, personal consumption has doubled, inflation has dropped from 400 per cent to around 30 per cent and savings have risen too," he adds.

His figures may be a bit rough and ready. But the evidence of well stocked markets, busy fields, bustling streets and new cafes backs up the president's claim of sharply rising living standards after decades of hunger and poverty.

The state of contemporary Albania is a far cry from the desperate days of 1990 when the feared Sigurimi secret police are believed to have encouraged an orgy of looting and destruction and thousands of would-be refugees invaded embassies and clambered on to ships leaving the country.

But critics of Mr Berisha and the government he closely controls accuse him of gathering too much power in his own hands and of building a new security force to replace the Sigurimi. He is also accused of mounting political trials against leaders of the former regime. Critics cite the case of Mr Fatos Nano, the former prime minister and probably the most competent politician in the opposition socialist party who is now serving a nine year sentence on charges of embezzlement of Italian aid funds.


President Sali Berisha: "we have to learn"

There is a greater consensus about the trials of other former regime figures. Mr Ramiz Alia, the handpicked successor to Mr Hoxha, received a nine year jail sentence earlier this month after he and eight other former senior politicians were judged guilty of violating their own laws and shooting dead Albanian citizens trying to flee the country.

"I don't like trials but I'm certainly following the Alia trial," Berisha said two weeks before the verdict was announced. "More than 100 people were shot and killed during the transition period alone. I see these trials as necessary to prevent a wave of revenge sweeping the country.

"What has impressed me most is that none of the old regime leaders on trial has ever uttered a word of regret. Even if you exclude all their other crimes they were responsible for burying half of Albania under thousands of concrete pill-boxes that consumed the sweat and resources of Albanians," the president added.

Mr Berisha is a Moslem from the mountainous north east of a country, a region with a long history of blood feuds and intense personal rivalries. After two years as the first post-communist president of Albania, he retains substantial political support. A tall, imposing figure he has gained in experience and confidence both domestically and on his foreign travels. Diplomats concerned with stability in the volatile Balkan region appreciate what they see as his growing understanding of the need for cautious diplomacy.

Domestic political critics, however, including some who launched the opposition movement with him but split from the Democratic Party shortly after the March 1992 elections, criticise what they see as autocratic tendencies and a desire to control all aspects of government. Foreign investors, frustrated by delays and corruption in a still largely inherited administration, tend to seek an audience at the presidential palace when they need to cut through bureaucratic knots.

Mr Berisha rejects charges that he runs an essentially authoritarian system and is seeking to establish a presidential republic. "We had a one man system for 50 years. We need time to promote and develop a parliamentary tradition here," he says, blaming opposition parties for delays in introducing a new constitution with copious civil rights protection written into it.

But navigating successfully through the treacherous shoals of Balkan foreign polities is as important for the new democracy as defusing internal tensions. With almost as many ethnic Albanians living in neighbouring Kosovo, Macedonia and Montenegro as within the borders of Albania itself, many Albanians are torn between the desire to support their kith and kin and a growing awareness that borders cannot be changed without war. This realisation has been heightened by the war in Bosnia and the pro-consular advice of western embassies.

The president dismisses accusations that Albania is seeking to create a "greater Albania" similar to the efforts of Serbia's Slobodan Milosevic to create a greater Serbia. "Albania's concept is very clear. All we are seeking is a democratic space for Albanians wherever they are. That means democratic institutions and elections. A solution cannot be achieved by forcibly changing borders. But better trade and economic co-operation could be a big element in improving relations," says the president.

He recently returned from a successful visit to Macedonia where he and president Kiro Gligorov discussed improved rail and road links to help Macedonia overcome the embargo imposed by Greece on its southern borders.

After months of bad-tempered exchanges with Greece over a border incident in which two Albanian soldiers were killed in April, President Berisha is looking forward to closer relations with Europe and progress on the country's desired EU association agreement now that Germany rather than Greece occupies the EU presidential chair.

"Albanians are growing in self-confidence and a sense of responsibility. We know that our future lies in Europe, with European style laws and democracy and a dynamic market economy," he concludes.

Anthony Robinson, Laura Silber

■ BANKING AND FINANCE

Youth takes the helm

After the collapse of the old regime the new democratically elected government urgently needed to find young Albanians capable of understanding and working with foreign governments and the international institutions willing to help to rebuild the state apparatus, banks and other bodies.

A prime example of this new technocratic elite is Mr Kris Luniku, the 32 year old deputy governor of the National Bank of Albania with overall responsibility for monetary policy. (The bank itself enjoys formal independence modelled on that of the German Bundesbank.)

After graduating in economy and finance from Tirana University in 1986, Mr Luniku joined the state bank three years later, starting with a stint in the mountainous north east. There followed several months secondment to German banks where he received training in government securities and stock exchange practice before going to the IMF in 1991 for a crash course in financial programming and medium term adjustment processes.

The courteous and slightly shy young banker recalls the first awesome days in 1992 when he and two colleagues took responsibility for introducing monetary policy to the bank. "Nobody really knew what the relationship was between interest rates and inflation, what the instruments of monetary policy were, or how a central bank functioned," he confesses.

"We had to be cautious, define our goals and then monitor our progress. We knew we just could not afford to make mistakes." After its modest start, however, the new team quickly expanded with the recruitment of young, multilingual people with an academic grasp of macro-economics who were eager to learn more.

Under the overall supervision of the governor, Mr Dylber Vrioni, a former engineer and erstwhile chairman of the ruling Democratic Party, the young technocrats spread out to apply their skills in six new divisions of the bank dealing with the budget, monetary policy, balance of payments, macro-economic analysis, statistics and financial operations and instruments.

In July, the bank took responsibility for controlling liquidity through open market operations connected with the first issue of treasury bills. "We are trying to become more efficient by switching to indirect instruments with credit ceilings for the private and government sectors and reserve and liquidity requirements for the banking system," Mr Luniku says.

Until now the central bank has financed the government deficit. But the treasury bill auctions in July will be open to individuals and private companies. The aim is to spread the load and control the excess reserves of the banking system. Interest rates on deposits are now positive after the recent slide in inflation.

Reform of the financial system really began with liberalisation of the foreign exchange market, at a time when reserves were practically non-existent. It proved a great success and the Lek appreciated against a basket of foreign currencies by around 25 per cent last year thanks to emigré remittances and foreign aid.

Proof of the free exchange market can be seen in the hordes of licensed money changers with wads of notes in hand who congregate perfectly legally in front of the central bank building offering a slight discount on officially announced rates.

Development of an inter-bank money market is now the main element in the drive to make the banking system an efficient conduit for investment.

Deputy governor Kris Luniku: one of the new technocrats Picture: Anthony Robinson

The task of reform began two years ago when a two tier banking system was created by the new Central Bank Law, which established a Bundesbank-type independent central bank, and the Commercial Banking Law of April 1992 which hived off three commercial banks from the formerly monolithic state bank.

The balance sheets of the three state owned commercial banks, the National Commercial Bank of Albania (NCBA), the Savings Bank and the Rural Commercial Bank, have been partially cleared of their nearly Lek5bn bad debt after the government issued Lek2.7bn in interest bearing bonds, which are negotiable and tradeable.

But the banking system remains weak and slow. The key to future development lies in creating new bankers. The World Bank and the EBRD are funding a 25 week course at Tirana university to train bankers in risk analysis and the like. Two joint venture banks with full banking licences have been set up in the capital.

These are the Italian-Albanian bank, a joint venture of the NCBA and Banca di Roma, and the Arab Albanian Islamic bank whose shareholders are the NCBA and the Arab Islamic Bank of Bahrain. One fully foreign-owned bank, the Dardania bank, has been formed with capital from Kosovo and Albanians abroad.

Anthony Robinson

■ ECONOMIC GROWTH

We have lift-off

Albania's transformation from a closed economy of the absurd to an open economy of frenetic consumerism within three years has taken everybody by surprise, *writes ANTHONY ROBINSON.*

The International Monetary Fund, no stranger to economic turnarounds, eulogises an "economic miracle" which gave Albania an estimated 11 per cent GDP growth last year, the sort of dynamic usually seen only in Asia and Albania's old mentor, China.

Mr Gramoz Pashko, one of Albania's most prominent academic economists and deputy prime minister in charge of economic reform in the interim "stability government" of 1991, puts events in proportion with the observation that "even a clod of earth looks like a mountain on a flat plain".

His remark is not a denial of Albania's leap forward over the last two years but a reminder that between 1989 and 1992 liberalisation of the economy and the shift to tight IMF-monitored monetary and fiscal policies was preceded by an unprecedently drastic elimination of big loss making enterprises and dramatic falls in industrial output.

All the post-communist countries have undergone some degree of "constructive destruction" following the collapse of Comecon trade and the shift to market prices. But none matched Albania's purge of an industrial economy which was obsolete even when it was being built with Soviet and then Chinese aid and technology in the 1960s and 1970s.

Most of the Hoxha-era industrial and mining complexes which formerly employed tens of thousands of workers, like the Elbasan steel works or the Tirana tractor factory and spare parts engineering facilities, as well as many of the coal, chrome and nickel mines worked for decades with prison labour, have been closed down.

Economic reform was begun by the transitional government in the fraught months before the March 1992 elections. But difficult decisions were also taken by the Democratic Party-led coalition government which emerged from those elections. Perhaps the toughest was to end the 80 per cent unemployment pay given by the last communist government to workers sent home by factory closures.

The closure of loss-making plants led to a cumulative 60 per cent decline in industrial output in the three years to the end of 1992, but eliminated a double drain on the exchequer and provided a sharp incentive for workers to seek other sources of income either in agriculture or self-employment.

More than 300,000 Albanians, or 10 per cent of the population, took the opportunity presented by the chaotic opening of frontiers to emigrate instead, mainly to Italy, Greece and Germany. This exodus eased the political costs of transition, although official unemployment in 1993 still hovered around 30 per cent of the remaining non-agricultural labour force.

Emigration, by leading to a rapid boost in remittances to relatives still at home, became within a few months a crucial element in underpinning the domestic economic recovery. For the last two years remittances and foreign aid have been Albania's principal sources of income.

From practically zero, remittances rose to \$150m in 1992 and doubled to \$334m last year. This was 10 per cent higher than the total inflow of official foreign aid which dropped to \$303m last year from a peak of \$374m in 1992 when the Italian-run emergency food aid programme, Operation Pellicano, was at its height.

Without the remittances Albania would not have been able to finance the large imports of consumer goods and second hand vehicles which have given the country an unprecedented air of prosperity. Aid alone would have been insufficient to finance last year's \$509m trade deficit.

Remittances raised disposable incomes and the demand for food and imported consumer goods. This in turn has stimulated a rapid rise in small scale trade and investment projects, principally cafés, small food kiosks, informal markets and, increasingly, petrol stations. The latter are busy servicing more than 40,000 mainly second hand cars and thousands of trucks and vans imported over the past year. Many of the new vehicles are of dubious provenance, but the thousands of hooting cars roaming the streets contrast sharply with the empty roads of the past.

Meanwhile, the return of land to the peasants in a country where 65 per cent of the population still lives off the land or in villages has led to an extraordinary growth in food production and higher rural incomes as livestock, eggs, fruit and grain are traded in increasing amounts.

Higher domestic food output has reduced the need for basic food imports to cooking oil and sugar and provides the basis for the future growth of a domestic food processing industry and the export of early vegetables and fruit.

In this way, an artificial economy of inefficient industrial plants and collectivised agriculture has been replaced within three years by an economy of small farmers, traders and businessmen.

The era of constructive destruction propped up by emergency aid is now over. The dynamic growth of trade has permitted the rapid accumulation of capital and the economy is entering the crucial second phase of infrastructure and industrial investment, banking modernisation and institution building.

A largely aid-financed investment programme is getting under way which requires additional foreign equity investment to redevelop the dilapidated but capital and technology intensive oil and mining sectors and help develop the tourism industry.

The first foreign investments are starting to come on stream, such as the new Coca-Cola bottling plant on the road from Tirana airport, partially financed by the EBRD which is also helping other foreign-financed construction and infrastructure projects.

The most eye-catching is the \$23m hotel and business centre complex now being built by Smelt, a Slovene building company, for Rogner, the Austrian hotel and resort group. The new Hotel Dea, is rising from a prime site on Tirana's main boulevard between the prime minister's office and the exhibition centre originally built to hold the body of Enver Hoxha.

There are early signs that an incipient boom in construction is leading to rising investment in local building materials. Meanwhile, low wages of around \$60-\$70 a month are starting to attract Italian and Greek shoe, textile and other companies seeking Asian level production costs combined with lower transport costs.

To maintain the growth and further raise the level of economic development, the authorities know they must also eliminate the frustrations to would-be foreign equity investors caused by an inexperienced and sometimes corrupt administration and clarify key legal issues, including land ownership rights.

■ MEDICAL CARE

On the mend, despite the hospital rats

ANTHONY ROBINSON discovers how foreign aid and reform are helping to shake up the nation's archaic health service

For decades the Albanian health service, starved of funds and equipment, coped as best it could with the medical consequences of poverty, dirt, pollution and ignorance.

The situation has improved substantially over the last three years with the delivery of substantial medical aid and equipment. Over the next three years Lek12.8bn, nearly 18 per cent of total public investment, will be devoted to "human resource development" – including health, education, building a social safety net and labour market services, such as employment exchanges and re-skilling.

The changes can best be seen at Tirana's University Hospital, the country's premier teaching hospital, where doctors have received new equipment and have also noted a marked change in the pattern of disease over the last three years.

"Malnutrition used to be a big problem. But since land was redistributed and people have been allowed to have their own cows, sheep and chickens again malnutrition is now rare," says Dr Mehdi Alimehmeti, the hospital's deputy director. Deterioration of the country's infrastructure, however, has created new problems, such as a serious outbreak of hepatitis due to the contamination of fresh water with sewage from pipes laid over 50 years ago.

But Dr Heta Hyseh, who heads the child surgical unit, has noted a decline in bronchial infections and abnormalities in the digestive tract.

At the same time, however, the trauma department has seen a sharp rise in car accident victims following the simultaneous appearance of thousands of inexperienced drivers. The influx of western cigarettes has also done nothing to moderate the high incidence of lung and other smoking-related cancers.

Dr Alimehmeti also notes subtle changes in the behaviour of patients and their families since the emergence of a more consumerist society.

Traditionally villagers from even the remotest parts of the mountainous north east and other obscure parts of this mountainous country of poor roads and inadequate public transport brought their children or relations to the University hospital for treatment. Once inside they squatted down there until the patient recovered or died. This continues. Compared with the situation three years ago, however, Dr Alimehmeti notes that "people have become quieter, more respectful".

Meanwhile, the morale of hospital staff has improved with the delivery of new beds and new ambulances, mostly donated by foreign governments and charities. New equipment includes a \$500,000 laser kidney-stone smashing machine from Germany, brain scanners and a cardiac scanner from Kuwait.

"Two years ago we had no sheets or blankets and only ancient beds. The lifts did not work and we often ran out of oxygen and other essential items for operations. At the same time, the hospital was surrounded by piles of garbage and it was impossible to keep the hospital clean. Now the garbage has been cleared, the wards are much cleaner and we intend to privatise the laundry, catering and other services," he adds.

Even so, much remains to be done. Rats scurry in broad daylight over garbage piled up against a perimeter fence which abuts one of the city's biggest markets. The oldest wards are still dank, airless rooms packed with 10 beds and lit by a bare bulb shaded by an old newspaper. Sheets are hand washed and hung on hedges to dry.

Standards in provincial hospitals reportedly remain low. But here at the University hospital, where six formerly separate hospitals are being re-organised into one coherent whole, the level of service and dedication seem higher.

A new neurological unit and a new "resource centre for health" partially financed by a \$120,000 grant from the Sörös foundation, will further upgrade the facilities.

Laura Silber meets a UK participant in the Tirana building boom

Rush for 'western' homes

Albania's dilapidated buildings and run-down blocks of flats epitomise a housing shortage which is expected to get much worse as people flock from the countryside to the towns over the next few years. But the housing shortage spells a big business opportunity for builders and architects such as Mr Martin Stent, who left London to build western-style houses in Tirana.

When he arrived at his new "office" there were no windows, doors, or phone. "But we took it and agreed to redo it, after all I am an architect," he adds in what is now a modern office overlooking the site.

Fifteen months later, he is a happy man after a state commission awarded his company a licence to build 1,200 "traditional" western-style houses in the southwest of Tirana, the capital city in which little has been built since the Italians left 50 years ago but which is now expected to double its 240,000 population within a decade.

Mr Stent admits a few misconceptions have been set right since he set up shop. Above all, he underestimated the purchasing power and potential demand for western style housing.

"When I first came here, I thought we would be building flats at \$10,000 a piece. It turned out to be 10 times that," he says, pointing to the picturesque building site nestling on the shores of a reservoir and framed by the slopes of Mount Dajti which rise above the city. Cows and sheep meander through the pastures, unaware that Albania's first joint venture in private housing is about to leave them homeless.

He also learnt that building houses in Albania means that MacRae International, his London-based development company, will also have to put in the entire infrastructure, from sewerage to power lines, even though, under the current agreement, Mr Stent's company does not own the land. Instead it has received power of attorney to sell or lease it on behalf of the state at an agreed price.

Mr Stent's team christened the housing complex Green Valleys. "But Albania is not like England where everyone likes to live somewhere named after a village." Albanians don't want anything sounding too rural, he says, mainly because most urban dwellers are recent immigrants from the countryside and the two-thirds of Albania's population who remain in the countryside have no romantic ideas about doing so.

Social habits in Albania, with its history of clans and extended families, are also different from what he is used to. "Several families want to live in adjoining houses or neighbouring flats – envisioning common rooms between them, not just now but for generations to come."

Meanwhile, changing times have created a booming market. "In the old system people were not free to choose where they lived. Now they will naturally gravitate to Tirana. What is more "Albanians want a huge house for the whole family. Some shared houses will have up to nine bedrooms," he says.

Another characteristic of the current Albanian market is that potential buyers, after 50 years of economic privation under the Hoxha dictatorship, are anxious to pay in advance, afraid that there will not be any houses left to buy a year from now.

Mr Stent turns them away, until the building gets under way. "Many Albanians were burned by foreign bandits at the beginning. Everyone paid cash and they lost all their money," he says.

At present, the new rich speed, horns blaring, down Tirana's wide boulevards in their shiny new Mercedes. But Mr Stent believes that their tastes will change quickly. "Once they have tasted privacy, they will want more of it," he says, adding that many future buyers are currently living in one-room flats with their families.

Local construction officials now realise that Mr Stent can offer them a badly needed product to cope with rising population and incomes. "But it did take a while to get them to understand that I was here to make money, not to do good," he says of Tirana officials whose mentality was shaped under the old communist regime.

Now, relieved that the project at last is officially under way, Mr Stent frets about what lies ahead. "There are 101 things to do. They do not make plywood here and they do not know about different colours of bricks – they used to have no choice." But that is about to change, and MacRae International will be part of the reason.

Anthony Robinson studies the prospects for high class tourism

Land of stunning beauty

The next five years should see Albania emerge as a significant factor in European tourism, but not just yet. At present Albania is a country for the hardy backpacker, the well-heeled business visitor willing to hire both car and driver or, most attractive of all, the yacht-borne visitor now able at last to anchor off Albania's virtually pristine coasts without being fired on or arrested.

Five decades of total isolation from the outside world preserved Albania from the destructive impact of mass tourism, but not from environmental pollution or a countryside littered with hundreds of thousands of concrete pillboxes, or from burning rubbish tips and rivers filthy with raw sewage – or oil spills in the extensive oil regions of the centre and south. There are nona of the picturesque seaside towns and villages which dot the Croatian coast or the Greek islands.

An autarkic economy with no private vehicles also left Albania with the sort of infrastructure which existed in the rest of southern Europe 50 years ago. The roads are pockmarked, narrow, and usually steep and winding, reflecting the mountainous terrain, much of it virtually inaccessible except on foot or donkey. Around 70 per cent of the country comes into this category.

There are very few hotels and restaurants and only now are service stations being put up by private investors along the main roads. Albania is not a place to be in a car which breaks down.

The coastal plains, now covered by virtually medieval strip farms, are easier to traverse, but even here the roads are now full of horse and ox-drawn carts. What is more, where traffic was once limited mainly to a handful of official cars and old Chinese trucks, an avalanche of second hand cars and trucks has appeared over the last two years.

City streets and country roads alike are now infested by wild, klaxon-blowing novices unskilled in the finer arts of driving – like lane discipline, keeping to the correct side of the road or not overtaking on blind curves or into oncoming traffic. It is also full of traffic policemen with a blind eye for their pals and a keen eye for foreigners to fleece.

All this, and inadequate ports and primitive airports, ensures that Albania should remain off the mass tourism agenda for some time – some advisers suggest for ever. But the country is definitely now on the move, has a wealth of stunning scenery, virgin beaches and historic monuments and the development of tourism, under Mr Edmond Spaho, the minister for tourism, is seen by the government and foreign advisers as a priority, both to create new jobs and to bring in hard currency.

At present, Tirana, the capital, boasts only one business-class hotel, the Dajti, which was built by the Italians, like most of the city centre, about 60 years ago. It is an oasis for those who hate modern hotels, prefer high ceilings to air conditioning and do not mind indifferent food when it is served on a verandah overlooking a gardeo with palms. But the Dajti will be closed for refurbishing as soon as two new first class hotels are completed.

The most impressive will be the $23m Dea hotel and office complex complete with swimming pool and underground parking being built for the Rogner group of Austria 200 metres down the main boulevard from the Dajti. It is due to open by the autumn of 1995.

The 1960s style skyscraper of the Tirana Hotel just off the central Skanderbeg Square is being refurbished by an Italo-Albanian venture and will be managed by THI of Turin when it opens. But work has stopped at present so the December 1994 opening date is uncertain.

Other projects in Tirana include a 200 room hotel and 10 residential villas being constructed for Al Karafi, a Kuwaiti company, while MacRae International, a UK company, is building up to 1,200 western-style homes and working on plans for a tourist village at Lalzi Bay north of Durres.

Italian companies are particularly interested in building tourist villages and associated infrastructure along the coast. Babini is planning a small village in the Kavaja area while SICS, Torcelo and AX Holdings of Malta are all planning to build tourist villages near Ksamil in southern Albania, just across the straits from Corfu. The southern coastal strip between the port of Vlore and the Greek frontier, and including towns such as Sarande and Butrint with substantial Roman and Greek remains, is earmarked for the first round of serious development because of proximity to Corfu and relative ease of access. This is the area where pine forests slope down to a 100km stretch of hitherto inaccessible virgin beaches. The aim is to develop this area with the minimum of environmental destruction. The entire tourism infrastructure will have to be built from nothing.

The EBRD is partially financing a scheme to promote the growth of small restaurants and provide small scale finance for families to rent out rooms and build small extensions. But development generally will require sizeable investments.

With this in mind the Special Law on Investments in Priority Tourism Development Zones has been drawn up along with a long term strategy based largely on a report prepared by consultants Touche Ross and Euro Principals.

Tourism investments are exempt from profits tax entirely over the first five years and enjoy a 50 per cent exemption over the next five years of operation. Losses over the first five years can also be offset against profits over the next five years.

As a further incentive all machinery, spare parts and raw materials are exempt from customs duty for three years. Foreigners can be employed and profits freely repatriated.

Investors must expect some surprises, says Laura Silber

Hard lessons in capitalism

Mr Selami Xhepa has an awesome task – to promote foreign investment in Albania on an annual budget of $32,000. From his office in what was once the Albania Today exhibition hall he frets that his shoulders are not broad enough to bear the burden of bringing his country into the future. "Albanians have a lot to learn after 50 years of isolation from the outside world, but step-by-step, their mentality will change," he says. It already has. Until four years ago, foreign investment was a crime.

Albania now has more than 200 foreign investment projects, ranging from kiosk cafes to oil exploration in the Adriatic Sea. The European Bank for Reconstruction and Development (EBRD) is financing nearly $100m worth of projects, and playing an important role in providing "comfort" to would be investors.

The most conspicuous and symbolically important is a new Coca-Cola bottling plant, just outside Tirana, which will start full operations this month. It is a joint venture between Aziende Commerciali Industriali Estero; a wholly owned Italian subsidiary of Coca-Cola, and a state-owned Albanian investment company, with EBRD financing.

The EBRD is also co-financing construction of the Hotel Dea, by the Austrian company Rogner and the Slovena firm Smelt, and the renovation of the Hotel Tirana. Together these should cover the shortage of hotel rooms in the Albanian capital, as well as enhancing telecommunications and other technical aid projects.

While foreign equity capital has flowed in – $80m so far – it is hardly the deluge that many Albanians were expecting when their country began to open up in 1991. "At first, Albanians believed that investors would run to them with their pockets lined with money," says Mr Xhepa. Over $200m of foreign capital is committed to projects – Italian companies accounting for 53 per cent followed by Greek investors with 20 per cent.

Mr Wei Ding, the Shanghai-born IMF representative in Albania, believes that Albania's main hope for rapid economic growth is to attract foreign investment. But he cautions that "Albania is a small market and the government has to do more than the neighbouring countries to attract investors".

Mr Xhepa agrees. He is only 28 years old and does not believe in overnight miracles. "The most important thing is that foreign investments are guaranteed. Albania has signed agreements with some 15 countries on the protection of foreign capital," he adds.

Under new laws, profits can be repatriated freely and Albanians hope that their comparative advantages will lure foreign investors. "The cost of labour is two dollars per hour compared with four in Taiwan," Mr Xhepa says. Several large Italian shoe and garment companies have already transferred assembly operations to Albania from the Far East, saving on both wages and transport costs.

As rising competition reduces profits from hawking imported goods in the fast mushrooming sales kiosks all over the country he expects to sees a re-investment of trading profits into manufacturing and construction projects, including those linked to foreign financed infrastructure developments.

Mr Xhepa, 28, is an assistant professor of economics at Tirana University and speaks Italian and several other foreign languages. But a fairly widespread knowledge of foreign languages among the young policy makers and businessmen has not broken down all the barriers thrown up by half a century spent in a socialist cocoon which spawned suspicion and fear. Xenophobia was institutionally enforced under Mr Hoxha and his successor, Mr Ramiz Alia, and unofficial contacts with foreigners were illegal.

Some of these suspicions were reinforced by a flood of carpet baggers who hit town when the regime collapsed, many of them ethnic Albanians from neighbouring Kosovo. Mr Bashkim Kopliku, deputy prime minister, says "many foreigners came here with the hope that they would find savages who knew nothing about finance or doing business".

Mr Kopliku complains that a handful of companies still want what he calls "more than their fair share of the profit". But his criticisms of investors are matched by counter charges from investors who have fallen foul of officialdom and complain of an ignorant and sometimes corrupt bureaucracy and absence of clear laws and rules.

Mr Julien Roche is a prominent French businessman, who first started trading with Albania in 1982 and is now trying to recoup losses which he says were caused by trying to work strictly to laws when many of his competitors were operating clandestinely and dealing in contraband goods.

The co-owner of a string of shops and an aviation company, the businessman is viewed with suspicion partly because he began trading with the former regime a decade ago. He is now fighting to secure the release of his Albanian partner from jail, months after a court rescinded his sentence on appeal.

The outcome of his fight to defend his business interests and his partner by legal process is being closely watched by diplomats and the foreign business community.

But suspicion of foreign business has been heightened by several bad experiences with foreign investors. The worst, almost legendary exploit happened two years ago when a Kosovor businessman collected tens of millions of dollars from citizens and Albanian workers abroad to build a "Sheraton-like" hotel, which was touted as the new land-mark for Tirana's centre.

With no warning he absconded to Switzerland with all the money, leaving a deep hole and nothing else. Another investor claimed to be a close relative of Baron de Rothschild even though he was Chinese. After these incidents many Albanians are wary about investors pulling out of projects, creating uncertainty in an environment striving for stability.

On the other hand Albanians suffer from their lack of knowledge about foreign markets and most businessmen are deeply aware of their lack of experience after decades under a paranoid regime wheo only hand-picked favourites could travel abroad.

"Even now if they can afford to go abroad they often have to wait for months to get a visa," says Mr Xhepa, who picked up some of his expertise on a training course in Verona, Italy.

Unfamiliarity with the outside world sometimes causes hilarious misunderstandings. A resident European businessman recalls how a senior government official told him that "Albania did not need to introduce the Dioer's Card because we already have the Rotary Club." In the future says Mr Xhepa, such snags and misunderstandings will be avoided because the rules of the games are now set. The emphasis has moved from joint veotures with the state, which were open to abuse, to direct investment or private partnerships.

Peasants sweep away collectivised farming, writes Anthony Robinson

The fever of liberation

The eye is a better guide to the new reality of rural life in post-collectivisation Albania than dry and inadequate statistics. But, for the record, the IMF estimates that agricultural output rose by 14 per cent last year and forecasts another 8 per cent gain this year.

The ministry of agriculture offers a 15 per cent overall increase, according to its own statistics, or at least 30 per cent according to satellite photographs.

A sceptical attitude to the statistics is merited above all by the sheer scale of the changes which have taken place following the decrees abolishing collective farms three years ago and the redistribution of their lands to nearly half a million peasant farmers with an average holding of around 1.4 hectares.

Decollectivisation was followed by an orgy of looting and destruction as farm and machine tractor station buildings, irrigation systems, greenhouses and other collective properties were torn down brick by brick and pane by pane in many areas. Orchards and forests, and even tall roadside poplars were also cut down, as an angry and distrustful peasantry showed its bottled up hatred for the regimented farming of old.

But the destruction also had a more practical side as the new landowners scavenged for the materials with which to build primitive hen-coops, pig sties and storage space and where possible to acquire a tractor or combine harvester.

"A neighbour tore down a piece of the irrigation system, broke it into pieces and laid a solid floor in place of the mud in his yard. The rest of us waited to see if he was punished. He wasn't, so we all took what we could," a farmer explained beside a pool of water from the broken irrigation canal used as an al fresco car wash by enterprising youngsters.

The avidity of the search for building materials coincided with relief at the end of an absurd agricultural system. The former regime drove an entire nation to near starvation by banning private rearing of animals of any kind, from draught animals to the humble chicken.

Three years later rural Albania, where 65 per cent of the population still lives and works, is still poor relative to the rest of Europe, especially in the mountainous areas which cover two thirds of the country. But the rural towns and villages have taken on a new liveliness.

On the fertile coastal plains which stretch south for 150kms from the capital Tirana and the country's main port of Durres, the fields sub-divided into small strips are full of hard working women cropping wheat and alfalfa with scythes. On the reclaimed marshland closer to the sea many of the fields of the former state farms remain large and wheat is being cut by Fortschritt model combine harvesters made in former East Germany and "appropriated" from the former centralised pool of agricultural equipment.

Roads for so long virtually empty of traffic are now clogged by hay wagons pulled by donkeys or oxen while children and old women lead cows along mud tracks or lie with them under make-shift straw sun shelters.

Outside village houses, or glimpsed inside courtyard interiors, mounds of wheat are piled up to dry in the sun after winnowing, while children and old people shoo chickens, gaggles of geese and flocks of turkeys away from the inviting grains.

With unseasonable rain compensating for broken irrigation systems and bread prices at world market levels following the removal of subsidies last July, farmers are getting ready to sell surplus grain to tha state or private traders.

Politically and economically, fulfilment of the never honoured Leninist slogan "land to the peasants, bread to the workers" has been a determining factor in the success of post-communist stabilisation policies.

Allowing peasants to grow their own corn, bake their own bread, raise livestock and grow crops for own consumption and sale has relieved the government of its inherited obligation to provide bread and basic foods.

On the demand side, the elimination of food subsidies, compensated for by higher wages, has drastically reduced the demand for bread which was often simply thrown away or, latterly, fed to animals when sold at the old subsidised price.

Now, hobbled live sheep and freshly skinned sheep carcasses are offered for sale by the roadside outside many villages and the increased supply of meat and the influx of a wide range of imported foodstuffs, including luxury items, has further reduced the demand for bread and added variety to a once monotonous and rationed diet.

The last three years have proved that a return to virtually medieval strip farming and free markets is more productive than enforced collectivisation. But not all are enamoured by what Marx once called "the idiocy of rural life".

The government and aid agencies expect a big exodus from rural areas into towns and into new service industries like tourism as the Albanian economy moves towards a more conventional pattern. The future of agriculture lies in a consolidation of strips into larger units once peasants are permitted to buy and sell their land. This was denied for the first two years.

Meanwhile, a $42m agricultural sector adjustment credit funded by a $20m loan from the World Bank, $20m from Japan and $2m from the Dutch government, is helping to finance priority projects.

Copper climbs to two-year peak

By Kenneth Gooding, Mining Correspondent

US investment fund buying came out of the blue to propel copper's price to a two-year peak on the London Metal Exchange yesterday.

There was no particular reason for the sudden renewed interest of the funds. Some dealers suggested that, having "played" in the palladium market in recent days, the funds decided to turn their ettention to another metal likely to benefit from increased international economic activity.

The weight of buying forced *those who had sold short* in the hope of being able to buy back later et a lower price to run for cover. Also "buy" signals were triggered on the computers used for trading by some speculative funds.

Copper for delivery in three *months reached* $2,557 e *tonne*, its highest since July 1992, on the LME early yesterday after the funds first prompted a rise on the New York Commodity Exchange late on Tuesday. Profit-taking later saw it ease beck to close at $2,538.50 e tonne, *up* $65.

Many analysts were expecting the copper market to consolidate and for there to be some profit-taking during the mid-year montbs when demand slows. However, the London-based consultancy, Bloomsbury Mineral Economics in its latest Copper Briefing Service, pointed out that, when the coppar market rose strongly in 1987-88, prices increased steadily each month for more than one year, shrugging off the usual seasonal influences. "It will be a crucial test of the strength of the present market to see whether or not copper prices simply carry on rising through the northern bemisphera vacation sbntdowns," it said.

Nevertheless, the market faced a number of bearish factors in the second half, according to BME. Exports from the *Commonwealth of Independent* States might increase from 15,000 to 25,000 tonnes a month; some mines on standby could reopen, encouraged by recent high prices; and the first of the new generation of big green field mining projects in Chile and Canada could come on stream. This might cause the copper price to pause in its rise for some time but BME remained confident that an underlying supply deficit would cause prices to strengthen further in 1995.

● *Union Minière, the Belgian* metals group, said it would spend BFr2.8bn (£56m) on a new 200,000-tonnes-a-year copper smelter at Olen, northern Belgium, to replace an existing refinery, Reuter reports from Brussels.

As Albania rejoins the international community after 70 years of isolation **Anthony Robinson** and **Robert Corzine** assess the state of its oil sector, once thought more promising than Saudi Arabia's

Black gold draws investors to a Balkan backwater

Oil fields are usually a symbol of national wealth and prestige. But in Albania, the Balkan *state which for 50 years was* one of the most isolated countries in the world, their shabby state symbolises decades of under-investment and near total disregard for the environment.

Large tracts of central-coastal Albania above the main onshore oil reserves are covered with spindly rigs and ever-so-slowly nodding donkeys sucking out thick bituminous oil. The crude then runs in rusting and often exposed *pipes or shallow trenches* to leaking storage tanks.

The foul stench of crude is all-pervasive. Black pools of oil lle on the surface around the rigs and the rivers run with teil-tale rainbow coloured oil slicks.

Hundreds of wells are *simply* abandoned, with rusting metal, broken pipes and chunks of machinery littering the ground around them. The cost of clearing up over 70 years of environmental damage to acceptable western standards will be enormous; and it is unlikely to be shouldered by any future western partner.

On the other hand western oilmen believe that spectacular productivity gains could be achievable from the introduction of modern prodoction techniques.

Hundreds of wells are abandoned, with rusting metal, broken pipes and chunks of machinery littering the ground around them

The Albanian oil industry may never live up to its initial promise in the 1920s, when a director of the Anglo-Persian Oil Company, the predecessor of British Petroleum, recommended that the company end its *exploration efforts* in *Saudi* Arabia in favour of Albania. But a successful rehabilitation and exploration programme over the next few years could make it a net oil exporter.

Premier Consolidated Oil Fields, a UK-based independent exploration and production company, has been negotiating with the Tirana government for more than a year to rehabilitate Albania's largest oil field, Patos Marinza, near the town of Fier.

About 1,500 wells, each *topped with a rusting derrick*, have been drilled in an area of about 16km by 35km. But output from the field, which could contain as much as 1bn barrels of oil, is only about 3,000 barrels a day.

Premier is close to signing e 25-year production sharing contract that could result in output being boosted to 20,000 b/d or more. But Mr Gerry Orbell, *Premier's head of exploration*, says negotiating the deal has been a complex and at times frustrating exercise.

As in many other former communist countries, few ministers or officials are accustomed to taking decisions. This meant that many of the issues raised during negotiations had to be settled by President Sali Berisha himself.

Unfamiliarity with western legal concepts meant that even after seven months of discussions, the Albanian-authored first draft of e production sharing contract was "riddled with so many ambiguities that it wouldn't stand up in any international court", according to Mr Orbell.

Premier brought in lawyers with experience in Russia to re-draft the contract. Mr David Davies, Premier's commercial manager, said the final version was more in line with western norms, but "it still had to go some way way towards their way of doing things".

Albanian expectations that millions of pounds of investment would materialise *immediately* following an agreement had to be dispelled.

Instead the field will be developed in stages. Although Premier will put up some cash to "kick-start" higher production, the company plans to use revenues earned from gradual increases in ontput to fund *additional expansion*.

The first phase will include tests of the reservoir and evaluation of steam injection and other techniques to increase the flow of the field's heavy oil.

It will also include an environmental audit to determine the extent of the pollution problem.

Once they are confident about the production potential of the reservoir, Premier and its Albanian partners will probably approach the European Bank for Reconstruction and Development for help in funding the power and water projects that would be needed to bring the field to its full potential of 20,000 b/d. The EBRD has said thet it wants to see the field working properly before it makes any significant commitments.

Premier hopes to export its share of the field's production to neighbouring countries. But the absence of an established merket for Albanian crude means it might have to sell *some to Albanian refineries for* US dollars.

The refineries, however, are in an equally dilapidated state. The main working refinery, just outside the dusty town of Ballsh, spews flame from waste stacks and plumes of dark smoke over the surrounding hills.

Some western oil executives believe that it would be cheaper and more environmentally sound for Albania to export its crude to modern refineries in neighbouring countries and import products. But the politically-sensitive employment implications of refinery closures could keep the obsolete facilities going for some time.

The only signs of relatively new investment in Albania's oil sector are fleets of second or third hand road tankers and privete petrol stations.

The latter are now springing up like mushrooms alongside the main roads as private entrepreneurs seek a profitable outlet for the small fortunes made over the last three years following the liberalisation of trade and foreign exchange transactions.

The road tanker fleets that have replaced lumbering old Chinese-built trucks are now privatised; but they still ply the narrow and tortuous roads from collection points to the refinery and service stations with their *former* Italian or Greek owners names stencilled on their sides.

Tomorrow · Geoff Tansey describes the transformation of Albanian agriculture over the past three years

Monsanto seeks to allay European fears about its milk yield-boosting hormone

By Alison Maitland

Monsanto, manufacturer of the milk-boosting dairy hormone BST, yesterday sought to counter fears about its use, saying it had not cut milk consumption and was reaping dividends for farmers.

BST, or bovine somatotrophin, is a manufactured version of a hormone that *occurs naturally in cows. Monsanto*, which is reported to have spent about $500m developing BST, began selling it in the US in February after receiving approval from tha Food and Drug Administration.

European Union agriculture ministers are due to consider in December whether to lift a moratorium on its use in Europe. The European Commission, while accepting BST is safe for bumans, argues that artificially boosting milk supplies runs counter to EU policy of cutting production.

In Britain, the government's adviser on animal welfare, the Farm Animal Welfare Council, last week recommended that the *hormone should not be licensed* until data were available on a wide range of issues relating to the welfare of cows.

It said dairy cows treated with BST to induce a high yield were more prone to mastitis, although it was not known whether the cause was BST or the milk yield itself.

Ms Lisa Watson, Monsanto's health and consumer affairs manager, said a study to be published in the US Journal of Dairy Science concludes that "BST doesn't affect the relationship between milk yield and the risk of mastitis."

During a visit to the UK to promote the *hormone, she agreed* there *was* a link between high milk yield and mastitis but said other factors such as wet weather and the stage of a cow's lactation had a "five to 10 times greater impact on whether a cow gets mastitis."

Ms Watson also pointed to figures from the US Department of Agriculture sbowing consumption of liquid milk was unchanged between February and April compared with the same period last year.

This was despite the fact that 70 per cent of consumers were eware of BST, up from around 28 per cent last November. However, only a tiny proportion of milk is *labelled as being produced* without BST, so most consumers are unlikely to have a cboice about wbether to buy BST-produced milk.

Conscious of milk quotas in Europe, Monsanto was anxious to sell the hormone as "a management tool" to help farmers meet their quotas despite output problems caused by weather or illness, rather than as a way of increasing milk supplies.

Monsanto's BST customers control about 20 per cent of milk production in the US, the company says. Contrary to fears that BST could serve large, efficient farmers to the detriment of smaller ones, the company says more than half its customers are farmers with 100 or fewer cows.

Mr Jerry Steiner, marketing director, said farmers were getting a return of $2 for every $1 they invested in BST, although some of that would be absorbed by increased feed costs. "We have e better than 90 per cent satisfaction and repurchase rating from our customers," be said.

Monsanto expects cows injected with BST to produce 10-15 per cent more milk during their 300-day lactation, although the hormone is used only when lactation is starting to decline.

The USDA has forecast that about 40 per cent of cows in the US would be treated with BST by 2000. "US farmers have a significant advantage in reducing the cost of producing milk," said Mr Steiner. "Farmers in the UK should have the opportunity for that same advantage."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1517.5-8.5	1542-4
Previous	1502-3	1526-7
High/low		1545/1534
AM Official	1511-13	1536-7
Kerb close		1538-9
Open int.	282,650	
Total daily turnover	13,471	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1520-30	1640-50
Previous	1610-15	1630-5
High/low		1645/1540
AM Official	1620-5	1640-5
Kerb close		1642-7
Open int.	2,616	
Total daily turnover	433	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	591-2	605-6
Previous	595.5-6.5	608-9
High/low	591	612/601
AM Official	591-1.5	605-5.5
Kerb close		601-2
Open int.	42,492	
Total daily turnover	8,736	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6340-5	6435-40
Previous	6315-25	6410-20
High/low	6365/63	6490/6400
AM Official	6362-5	6455-6
Kerb close		6425-30
Open int.	57,023	
Total daily turnover	31,920	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5415-25	5490-500
Previous	5435-45	5510-20
High/low		5540/5460
AM Official	5440-2	5515-20
Kerb close		5480-70
Open int.	18,371	
Total daily turnover	4,610	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	983-4	1006-7
Previous	981-2	1005-6
High/low	987/986.5	1014/1005
AM Official	986.5-7.5	1010.5-11.5
Kerb close		1006-7
Open int.	161,961	
Total daily turnover	20,738	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2533-4	2538-9
Previous	2373-4	2479-80
High/low	2554/2551	2552/2531
AM Official	2553-4	2550-2
Kerb close		2533-4
Open int.	222,063	
Total daily turnover	89,759	

■ LME AM Official £/$ rate: 1.5429
LME Closing £/$ rate: 1.5480

Spot:1.5495 3 mths:1.5475 6 mths:1.5487 9 mths:1.5449

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jul	114.55	-0.95	115.50	114.40	1,740	351
Aug	114.70	-1.05	114.70	114.70	862	7
Sep	115.15	-1.05	116.35	115.08	34,235	6,894
Oct	114.80	-1.00	-	-	423	88
Nov	114.35	-0.95	-	-	245	-
Dec	113.85	-0.85	114.80	113.65	10,080	1,302
Total					53,738	8,828

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.80-387.20	
Opening	386.35-386.75	
Morning fix	386.40	250.097
Afternoon fix	387.45	250.896
Day's High	387.80-388.20	
Day's Low	386.00-386.40	
Previous close	384.40-384.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.97	6 months	4.39
2 months	4.02	12 months	4.80
3 months	4.07		

Silver Fix	p/troy oz.	US cts equiv.
Spot	345.15	532.15
3 months	349.45	538.15
6 months	353.95	544.75
1 year	365.45	560.90
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	391-394	252-255
Maple Leaf	397.55-400.05	-
New Sovereign	91-94	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jul	385.2	-1.4	-	-	-	-
Aug	385.8	-1.5	388.3	385.2	65,199	24,170
Sep	387.1	-1.5	-	-	-	-
Oct	388.7	-1.5	391.2	388.6	6,708	858
Dec	391.9	-1.5	394.5	391.5	35,297	1,175
Feb	395.3	-1.5	397.2	395.1	9,021	57
Total					153,041	26,381

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jul	416.0	-2.0	420.0	420.0	176	4
Oct	418.0	-1.5	422.9	417.5	20,901	2,220
Jan	421.5	-1.5	425.5	422.5	2,307	37
Apr	425.0	-1.5	426.5	426.5	1,795	24
Jul	429.0	-1.5	-	-	1	-
Oct	433.6	-1.5	-	-	1	-
Total					25,181	2,285

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	147.15	-0.25	148.00	146.75	4,690	219
Dec	146.35	-0.50	147.00	145.50	944	81
Mar	145.85	-0.50	146.75	146.75	168	3
Total					5,802	303

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jul	528.5	-3.2	533.5	531.0	177	35
Aug	529.5	-3.3	-	-	-	-
Sep	531.2	-3.3	536.5	530.0	79,282	18,798
Dec	538.5	-3.3	543.5	537.6	24,794	1,771
Jan	540.1	-3.3	-	-	35	-
Mar	546.8	-3.2	548.5	546.0	6,625	100
Total					123,362	20,789

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	19.38	-0.06	19.54	19.33	23,534	37,403
Sep	19.33	+0.16	19.38	19.16	107,869	51,352
Oct	19.01	+0.07	19.03	18.85	44,375	9,398
Nov	18.78	+0.03	18.78	18.68	30,147	5,987
Dec	18.65	+0.02	18.68	18.50	41,108	6,275
Jan	18.56	+0.03	18.56	18.52	22,897	2,025
Total					405,984	119,326

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	17.54	+0.05	17.65	17.48	70,212	18,905
Oct	17.40	+0.02	17.48	17.35	19,836	5,713
Nov	17.38	+0.12	17.38	17.25	10,600	2,352
Dec	17.20	-	17.30	17.16	14,074	1,931
Jan	17.14	+0.01	17.15	17.14	5,305	531
Feb	17.06	+0.02	17.06	17.06	2,343	10
Total					17,555	31,854

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	49.70	+0.22	49.90	49.40	21,422	8,275
Sep	50.35	+0.08	50.68	50.05	25,202	6,791
Oct	51.40	+0.13	51.50	51.20	11,047	3,556
Nov	52.40	+0.13	52.45	52.15	9,602	678
Dec	53.40	+0.13	53.45	53.10	20,247	1,833
Jan	54.00	+0.13	54.00	53.90	12,128	1,228
Total					122,956	23,470

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	153.25	+0.75	154.50	153.25	25,651	5,568
Sep	156.25	+1.50	157.50	156.00	15,114	3,458
Oct	159.25	+0.75	160.50	159.25	11,444	1,401
Nov	161.50	+1.25	162.25	161.25	8,174	1,318
Dec	163.25	+1.00	164.00	163.00	14,996	471
Jan	164.50	+1.25	165.25	164.25	6,021	2,223
Total					87,899	16,112

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	1.925	-0.034	1.975	1.915	14,349	9,776
Sep	2.000	-0.022	2.025	1.990	15,435	4,145
Oct	2.050	-0.014	2.070	2.050	10,365	485
Nov	2.155	-0.009	2.160	2.150	9,562	529
Dec	2.265	-0.009	2.275	2.265	14,449	596
Jan	2.265	-0.009	2.280	2.270	9,707	498
Total					110,254	17,835

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	54.55	+0.30	54.70	54.20	32,965	11,916
Sep	54.55	+0.20	54.70	54.30	28,778	5,853
Oct	53.15	+0.10	53.30	53.00	10,457	2,264
Nov	51.45	-0.05	51.70	51.35	8,683	1,093
Dec	50.60	-0.15	50.70	50.40	4,802	287
Jan	50.85	[illegible]	-	-	2,008	81
Total					88,787	21,603

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	104.15	+0.95	104.10	103.80	383	31
Nov	105.00	+1.10	105.00	103.90	2,386	107
Jan	107.00	+1.15	107.00	105.85	1,503	46
Mar	108.85	+1.16	108.00	108.00	643	10
May	110.40	+1.05	110.50	110.00	602	44
Jul	112.70	+1.05	-	-	146	-
Total					5,863	238

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	323/2	+0/4	324/0	321/4	1,780	2,390
Sep	329/0	-1/2	332/0	328/4	97,870	22,830
Dec	341/6	-1/2	345/0	341/4	147,515	46,220
Mar	347/0	-0/2	350/0	346/2	31,465	3,165
May	341/0	-0/4	344/4	340/4	1,630	620
Jul	323/6	+0/6	325/0	323/0	3,255	375
Total					283,225	75,560

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	225/2	-10/2	235/2	223/0	8,945	16,840
Sep	218/2	-3/4	221/6	218/0	260,725	62,330
Dec	220/2	-1/2	222/0	220/0	595,055	116,846
Mar	220/2	-1/0	230/6	229/0	98,525	15,445
May	235/4	-1/0	237/0	235/4	33,565	7,500
Jul	238/4	-1/0	240/4	239/4	34,020	5,915
Total					1,066M	226,790

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	101.65	+0.90	101.50	100.95	196	99
Nov	103.25	+0.80	103.00	102.55	496	20
Jan	104.65	+0.75	-	-	25	-
Mar	105.75	+0.50	-	-	38	-
May	107.00	-	-	-	1	-
Total					781	127

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	592/4	-7/4	601/0	592/4	4,740	6,125
Aug	586/2	-13/0	599/2	586/0	124,980	67,765
Sep	570/2	-7/4	579/2	570/0	66,405	22,120
Nov	568/0	-6/2	566/4	557/4	345,550	157,836
Jan	565/2	-6/0	573/0	565/0	48,830	4,910
Mar	573/0	-7/0	581/4	573/0	17,318	3,330
Total					658,715	272,868

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	24.15	-0.28	24.50	24.15	361	838
Aug	23.85	-0.47	24.50	23.87	19,338	6,863
Sep	23.89	-0.43	24.39	23.75	19,404	2,975
Oct	23.33	-0.35	23.80	23.20	12,694	1,654
Dec	23.02	-0.28	23.42	22.82	33,712	6,571
Jan	23.09	-0.32	23.45	22.90	3,640	152
Total					98,249	20,147

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	177.0	-3.7	181.5	177.0	273	1,892
Aug	176.2	-2.9	179.7	176.0	23,630	9,423
Sep	175.3	-2.1	177.8	175.1	17,253	3,827
Oct	173.1	-1.6	175.0	173.1	9,686	1,431
Dec	172.8	-1.1	174.5	172.6	26,812	4,877
Jan	173.5	-0.8	175.0	173.5	2,778	314
Total					87,678	22,773

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	222.0	-4.8	231.6	221.0	1,171	133
May	250.0	+10.0	-	-	-	-
Jun	167.5	-	-	-	-	-
Total					1,171	133

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1430	-5	1435	1425	558	46
Aug	1397	-23	1385	1355	765	94
Sep	1380	-25	1409	1390	114	28
Oct	1401	-21	1430	1423	424	14
Jan	1410	-20	1415	1405	258	7
Apr	1438	-17	-	-	102	-
Total					2,299	167

	Close	Prev
BFI	1429	1422

Cotton
Liverpool- Spot and shipment sales amounted to 50 tonnes for the week ended 15 July against 75 tonnes in the previous week. restricted operations involved few fresh dealings. Only occasional interest displayed in American styles.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1094	+17	1105	1071	690	146
Sep	1104	+14	1116	1082	17,089	1,874
Dec	1108	+7	1126	1092	30,022	1,792
Mar	1127	+7	1143	1116	28,857	1,224
May	1135	+16	1145	1118	8,963	90
Jul	1139	+9	1130	1130	3,950	36
Total					N/A	5,376

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1489	-2	1524	1479	38,887	6,100
Dec	1529	-1	1582	1515	17,456	1,741
Mar	1556	-	1590	1545	7,909	259
May	1576	-	1586	1585	2,558	2
Jul	1596	-	1578	1575	2,354	-
Sep	1616	-	-	-	1,092	-
Total					76,349	6,161

■ COCOA (ICCO) (SDR's/tonne)

Jul 19	Price	Prev. day
Daily	1101.28	1115.21
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	3593	-185	3650	3565	526	119
Sep	3513	-180	3660	3500	19,483	4,028
Nov	3505	-183	3650	3490	8,167	1,886
Jan	3480	-203	3640	3470	10,746	658
Mar	3485	-200	3615	3470	3,821	376
May	3480	-218	3600	3530	860	5
Total					43,464	7,074

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	220.55	-12.95	227.50	217.75	28	28
Dec	223.55	-13.45	230.50	221.25	22,851	5,343
Mar	230.80	-9.00	233.00	230.80	11,765	1,085
May	231.50	-9.00	231.50	231.50	5,174	640
Jul	232.70	-9.00	232.70	232.70	1,589	62
Sep	234.00	-9.00	-	-	327	5
Total					41,996	7,164

■ COFFEE (ICO) (US cents/pound)

Jul 19	Price	Prev. day
Comp. daily	203.77	209.27
15 day average	167.26	183.68

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.18	-0.13	-	-	1,200	
Jan	11.82	-	-	-	-	
Mar	11.83	-0.13	-	-	90	
Total					1,290	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	315.30	-1.90	318.00	315.00	10,869	758
Dec	312.70	-1.10	312.50	312.00	969	30
Mar	311.50	-0.90	312.20	311.00	3,785	316
May	310.90	-0.80	-	-	381	-
Aug	310.50	-0.70	-	-	345	-
Oct	297.50	-0.70	-	-	171	-
Total					16,519	996

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.88	-0.14	11.89	11.87	67,594	8,556
Mar	11.67	-0.10	11.74	11.68	29,594	1,290
May	11.59	-0.10	11.64	11.56	8,396	161
Jul	11.49	-0.09	11.57	11.49	2,490	38
Oct	11.39	-0.09	11.45	11.45	1,132	53
Mar	11.36	-0.09	-	-	144	22
Total					167,350	11,140

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	69.25	-0.50	71.00	71.00	5	-
Oct	71.00	-0.25	72.00	71.00	8,397	742
Dec	70.65	-	71.70	70.50	30,747	3,851
Mar	71.80	-0.45	72.90	72.40	7,217	375
May	72.63	-0.42	73.20	73.16	4,271	113
Jul	73.30	-0.41	-	-	2,403	23
Total					54,294	5,121

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	90.80	-3.25	97.00	88.80	14,543	1,350
Nov	94.00	-3.20	99.40	93.50	3,308	632
Jan	97.75	-3.25	103.00	97.20	3,968	514
Mar	100.50	-3.00	105.00	100.15	2,399	348
May	103.75	-3.00	105.50	105.20	706	310
Jul	105.75	-3.00	-	-	184	-
Total					25,314	3,154

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 20	Jul 19	month ago	year ago
2155.1	2156.8	2007.0	1701.9

■ CRB Futures (Base: 4/9/56=100)

Jul 18	Jul 15	month ago	year ago
234.20	234.22	234.29	217.33

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	68.725	-0.075	68.900	68.450	24,737	7,793
Oct	71.300	+0.100	71.575	71.050	22,437	4,522
Dec	70.850	+0.375	71.075	70.375	12,430	2,005
Feb	70.400	+0.300	70.850	70.000	9,432	813
Apr	71.775	+0.525	72.100	71.300	5,068	143
Jun	68.450	+0.900	68.550	67.550	1,150	17
Total					75,313	15,293

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	45.775	-0.450	46.375	45.750	663	313
Aug	44.700	-0.075	45.000	44.500	10,206	1,765
Oct	40.800	-0.400	41.300	40.750	9,859	830
Dec	40.700	-0.175	41.800	40.525	4,482	293
Feb	40.100	-0.400	40.700	40.100	1,187	167
Apr	38.800	-0.100	39.800	39.800	940	51
Total					27,848	3,367

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	32.500	-0.850	33.800	32.450	149	136
Aug	32.125	-0.825	33.550	31.825	4,525	1,847
Feb	43.300	-0.025	44.000	43.175	3,015	519
Mar	42.850	-0.025	43.675	42.850	113	16
May	43.500	-	44.600	-	49	3
Jul	44.800	-0.200	44.800	44.800	20	3
Total					7,881	2,315

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1525	57	88	46	74
1550	45	76	58	87
1575	35	65	73	101
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
2500	93	117	49	105
2550	66	95	72	131
2600	46	75	161	161
■ COFFEE LCE	Sep	Nov	Sep	Nov
3600	320	465	407	560
3650	302	449	439	584
3700	240	434	472	629
■ COCOA LCE	Sep	Dec	Sep	Dec
1000	111	147	7	39
1050	72	118	16	58
1100	42	90	38	82
■ BRENT CRUDE IPE	Sep	Oct	Sep	Oct
1700	81	87	28	54
1750	50	67	52	80
1800	35	52	78	-

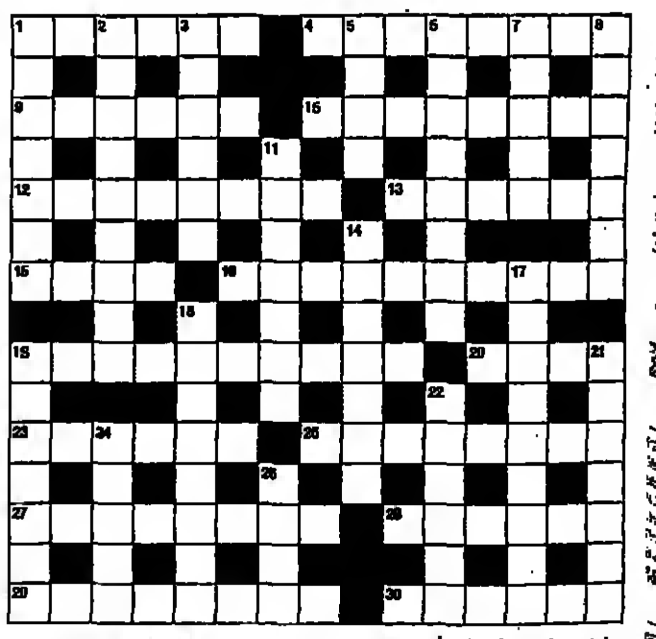
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Sep)		+or-
Dubai	$16.24-6.32w	+0.26
Brent Blend (dated)	$17.31-7.33	+0.25
Brent Blend (Sep)	$17.51-7.53	+0.25
W.T.I. (1pm est)	$19.17-9.19w	+0.25
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$185-187	+1
Gas Oil	$150-151	+0.5
Heavy Fuel Oil	$98-100	+3
Naphtha	$165-168	+0.5
Jet fuel	$184-186	+0.5
Petroleum Argus Estimates		
■ OTHER		
Gold (per troy oz)♣	$387.00	+2.45
Silver (per troy oz)♣	532.5c	+11
Platinum (per troy oz.)	$418.50	+2.0
Palladium (per troy oz.)	$145.75	
Copper (US prod.)	120.0c	+4.0
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	14.03m	+0.07
Tin (New York)	251.50c	-2.6
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†©	117.42p	+0.41*
Sheep (live weight)†♣©	95.47p	-1.58*
Pigs (live weight)©	70.66p	-2.85*
Lon. day sugar (raw)	$304.30	-1.60
Lon. day sugar (wte)	$346.00	-1.70
Tate & Lyle export	£309.00	+1.00
Barley (Eng. feed)	£106.75t	
Maize (US No3 Yellow)	$143.5	
Wheat (US Dark North)	£180.0	
Rubber (Aug)♥	88.50p	
Rubber (Sep)♥	86.50p	
Rubber KL RSS No1 Aug	330.5m	+2.5
Coconut Oil (Phil)§	$580.0z	
Palm Oil (Malay.)§	$500.0q	+5
Copra (Phil)§	$405	
Soyabeans (US)	£176.0q	-1.0
Cotton Outlook 'A' Index	81.90c	-0.30
Wooltops (64s Super)	421p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct/Dec. q Aug. z Aug/Sep. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week, provisional prices.© Prices are for previous day.

CROSSWORD

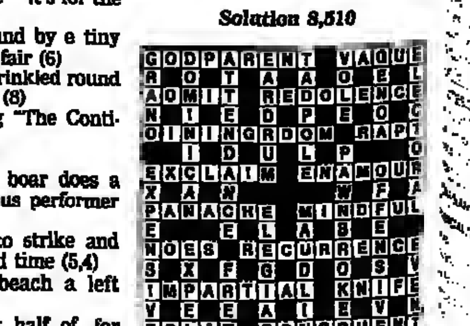
No.8,511 Set by ALAUN



ACROSS
1 A sublime summer, it contributes to (6)
4 Sections of the prison to be renovated (8)
9 Checks, reading aloud, rules (6)
10 Subordinate positioo the jockey takes (4,4)
12 Broke an egg into the breadcrumbs (8)
13 Of everything you own, a quarter goes to the government (6)
15 Broke the oews when instructed to (4)
16 The card player's definition of a double date? (4,2,4)
18 Just light music (4,6)
20 She Is in late, half cut (4)
23 Disturbed to find it's dislocated (3,3)
25 Was wet through, it indicated, again (8)
27 Carrying in wine – it's for the musician (8)
28 Rod lost the round by e tiny margin: it's not fair (6)
29 A little peat's sprinkled round it in the garden (8)
30 You are dancing "The Continental" (6)

DOWN
1 Act in which a boar does a turn with a circus performer (7)
2 Possibly about to strike and not keeping good time (5,4)
3 Found on the beach a left shoe (6)
5 Holding the last half of, for the Scandinavian (4)
6 Does an imitation of a stripper? (5,3)
7 Are back et work, providing entertainment (5)
8 Are tbey getting their hair ready for the dog show? (7)
11 The Spanish gentleman at the *inside is e politician* (7)
14 Anything, to a doctor, that a patient will swallow (7)
17 Make a quick volte-face and have a collection (4,5)
18 Would have you know it has an odd, old-fashioned sound (8)
19 Portrays as being in charge in *the departments* (7)
21 On no account will ha tolerate mistakes (7)
22 Double up, for instance, with pain (6)
24 Find standing right beside one (5)
26 Take this man on again (4)

Solution 8,510



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Interest rate concerns return to unsettle shares

By Terry Byland, UK Stock Market Editor

An early challenge to the Footsie 3,100 mark ran into a setback in the London market yesterday following a fresh warning on US interest rates from Mr Alan Greenspan, chairman of the Federal Reserve. The stock market had already been unsettled by the disclosure that the UK chancellor of the exchequer and the Governor of the Bank of England had agreed last month that domestic interest rates would be raised if inflation threatens. However, early losses had been recovered and the downturn was resumed only as reports of Mr Greenspan's testimony to Congress appeared on the trading screens.

The oponing minutes of official trading saw the Footsie touch 3,099.6 before turning back as traders reacted to publication of the minutes of the meeting in June between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, Governor of the Bank of England.

But by the end of the session, the FT-SE 100 Index had fallen to a day's low of 3,077.2, a net loss of 14.1 points. Once again, the setback was spearheaded by falls in stock index futures. However, traders believed that an increase in trading volume in equities did not indicate increased selling pressure and the FT-SE Mid 250 Index, which is less affected by the futures markets, remained firm, closing 12.6 up at 3,587.

In the first half of the session, the stock market made a fairly neutral response to the latest data on the domestic economy. A rise of 0.2 per cent in June retail sales for an annualised gain of 3.3 per cent and M4 bank lending of £2.9bn, while at the high end of expectations, were overshadowed by caution ahead of Mr Greenspan's speech.

Confidence in London that the recent steadier trend in the dollar and bond markets might bring a favourable review from Mr Greenspan inspired a further move towards Footsie 3,100 in the early afternoon.

The market, however, went speedily into reverse as the speech from the Fed chairman was followed by falls in bond prices and in other European equity markets. The downturn was emphasised by a decline of 22 points on the Dow Average in UK trading bours.

Trading volume rose sharply, but at the end of the session, the day's Seaq total of 679.7m shares still compared with 691.4m in the previous session. Retail business was worth £1.57bn on Tuesday, well up to the best daily averages of the past twelve months.

Fund management buyers from continental Europe, who have been providing the driving force behind the recovery in the London stock market, backed away in the second half of the session when their own domestic markets reacted negatively to the latest developmeots.

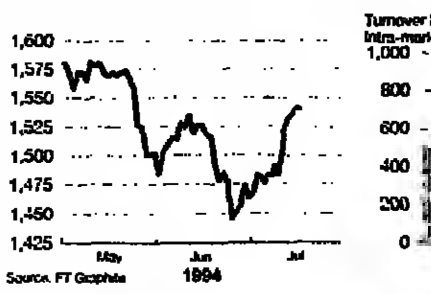
Several leading securities bouses said their trading books were fairly evenly spread between buyers and sellers. The renewed uncertainty over US rates puts increased emphasis on this morning's meeting of the Bundesbank policy council, and revives the question of whether European markets and economies have decoupled from the US.

The setback took toll of share prices across the financial and retail sectors, which have been moving ahead confidently over the past week. Store shares, in particular, proved themselves more fearful of higher interest rates than encouraged by retail sales growth in June reported earlier in the day.

The blue chip dollar-earning stocks moved narrowly as these sectors waited to see how the US curreocy would settle dowo in response to the comments from Mr Greenspan. But turnover in these market leaders was not heavy.

Loodon market strategists said that much will depend on the reaction from bond markets across Europe, and on the actions and comments of the Bundesbank.

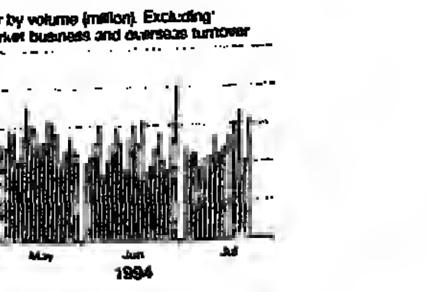
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3077.2	-14.1	FT Ordinary index	2391.6	-12.7
FT-SE Mid 250	3587.0	+12.6	FT-SE-A Non Fins p/e	19.39	(19.42)
FT-SE-A 350	1550.3	-4.2	FT-SE 100 Fut Sep	3076.0	-22.0
FT-SE-A All-Share	1537.38	-3.57	10 yr Gilt yield	8.35	(8.25)
FT-SE-A All-Share yield	3.86	(3.85)	Long gilt/equity yld ratio:	2.19	(2.18)

Best performing sectors

1 Building & Const .... +1.1
2 Other Financial .... +1.1
3 Health Care .... +0.8
4 Life Assurance .... +0.6
5 Water .... +0.7

Worst performing sectors

1 Banks .... -1.5
2 Insurance .... -1.4
3 Gas Distribution .... -1.1
4 Oil Exploration .... -1.0
5 Telecommunications .... -1.0

Rate war fears hit banks

High street bank shares fell sharply in late trade as disappointment over the latest bank lending figures was compounded by reports of a customer lending rate cut by Midland Bank which prompted fears of a price war in the sector.

Bank and building society lending grew by £2.9bn in May, against forecasts of a £1.3bn increase, hut the bias was towards credit card and mortgage loans, and corporate lending was weak. Then Midland, the high street arm of HSBC, cut its personal lending rate by 2 percentage points.

Prices in the sector were immediately chopped back as speculation ran through the City that Credit Lyonnais Laing was poised to respond with a significant downgrading of banks. Laing, however, was phlegmatic, saying it had recommended an underweight stance since the start of the year and was unlikely to change its views ahead of Lloyds Bank's interim results on July 29. HSBC, buoyed by a firm Hong Kong market, lost only 3 at 735p, but Barclays slid 8 to 546p, Lloyds 14 to 556p and National Westminster 16 to 458p.

Kingfisher concern

The jitters in the DIY sector – following news earlier this week that US giant Home Depot is poised to enter the UK market – continued unabated, with B&Q owner Kingfisher bearing the brunt of investor concern. The company was yesterday said to be talking up its own trading strategy to institutional investors and analysts in advance of an imminent announcement over the US group's European expansion plans.

However, sector specialists said that they did not expect Home Depot's announcement to contain much detail above their perceived objectives. But underpinning analysts' concerns over the already overcrowded UK DIY market is Home Depot's hiring of a former B&Q executive and the possibility of further defections. Kingfisher shares tumbled 13 to 502p on 2.3m traded.

There were also renewed suggestions of Darty shareholders exercising share options and making ready to exit Kingfisher in large numbers. Elsewhere, Texas pareot Ladbroke slipped a penny to 167p, while Do It All owners Boots retreated 3¼ to 535½p and W.H. Smith 5 to 480p.

Mirror falls

Shares in Mirror Group Newspapers were hit as Smith New Court featured the tabloid newspaper group as its key sell in a hefty review of the sector's potential in the harsh light of the newspaper price war. The shares fell a net 5¼ to 138½p with 4.1m traded.

The media team reduced its 1995 profits forecast for Mirror by £13.5m to £77.5m. Analyst Mr David Forster commented: "Irrespective of whether there are further cover price cuts, the outlook for the profits of the national newspapers has changed." The house also cut forecasts for Telegraph by £5m to £44m, Daily Mail &General Trust by £8m to £92m and United Newspapers by £13.5m to £151m. Telegraph and Daily Mail were steady at 367p and 1035p and United, which remains on Smith's buy list, added 4 at 537p.

Shell Transport was a healthy market, the shares boosted 6½ to 722p on turnover of 3.5m by a recommendation from Nomura, the Japanese-owned investment house. The house oils team said: "The market is seriously underestimating the scale of recovery in profits which will take place over the next five years." Nomura has increased its 1995 profits forecast by £325m to £4.61bn and its 1996 figure by £430m to £5.32bn.

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (35).
BREWERIES (1) Hot (J), BUILDING & CNSTRN (1) Amey, BLDG MATLS & MCHTS (1) Grafton, CHEMICALS (2) European Colour, Inspec, DISTRIBUTORS (1) Polar, DIVERSIFIED INDLS (1) Fletcher Challenge, ELECTRNC & ELECT EQUP (2) Ericsson (LM), Tadpole Technology, ENGINEERING (3) Expamet Intl., Renold, Thyssen, ENG. VEHICLES (1) Automotive Precision, EXTRACTIVE INDS (2) Impala Platinum, Western Areas, HOUSEHOLD GOODS (1) Denby, INVESTMENT TRUSTS (6) INVESTMENT COMPANIES (1) Japan OTC Wrts., LEISURE & HOTELS (1) Northern Cav 96/01, OTHER SERVS & BUSNS (1) Kuala Lumpur Kepong Bhd., PRTNG, PAPER & PACKG (1) Smurfit (J), RETAILERS, FOOD (1) Low (W), RETAILERS, GENERAL (2) House of Fraser, Next, SPIRITS, WINES & CIDERS (1) Macdonald Martin A, SUPPORT SERVS (1) Manpower, TEXTILES & APPAREL (1) Wensum, TRANSPORT (1) TNT, AMERICANS (2) Amer. Cyanamid, Bowater, SOUTH AFRICANS (1) Gold Fields Prop.

NEW LOWS (81).
GILTS (2) BREWERIES (1) Accot, BUILDING & CNSTRN (4) Evo, Rane, Tay Homes, Try, BLDG MATLS & MCHTS (3) Eclipse Blinds, Heaton, Liteshall 3pc Pf, CHEMICALS (3) Doeflex, Gibbon Lyons, Wardle Storeys, DISTRIBUTORS (2) Central Motor Auctions, Litho Supplies, DIVERSIFIED INDLS (1) Unitore, ELECTRNC & ELECT EQUP (3) Control Techniques, Kode Intl., Millgate, ENGINEERING (4) ASM, APV, Billam (J), Vortex Energy Systems, ENG. VEHICLES (2) Mid-States, Motor World, EXTRACTIVE INDS (1) Orion, FOOD MANUF (1) Albert Fisher, HEALTH CARE (2) Cortecs, Tepnel Diagnostics, INSURANCE (7) Angerstein, Bradstock, Delian Lloyds, Heath (CE), Lloyd Thompson, Lowndes Lambert, PWS, INVESTMENT TRUSTS (3) LEISURE & HOTELS (2) Magnolia, Pram, MEDIA (2) Phonolink, Sterling, OIL EXPLORATION & PROD (3) Arwa Petroleum, OGC, Oceonics, OTHER SERVS & BUSNS (1) Rodime, PHARMACEUTICALS (2) Celltech, Grampian, PROPERTY (3) Hambro Countrywide, Salisland, Specialty Shops, RETAILERS, GENERAL (3) Ashley (L), Betterware, QS, SUPPORT SERVS (1) Virtuality, TEXTILES & APPAREL (4) Hartstone, Richards, Sirdar, Stirling, AMERICANS (1) Rockwell Intl.

Chemicals leader ICI firmed a penny to 811p as the impact of an upgrade and change of stance by one leading investment bank filtered through into the market. BZW raised its 1995 profits forecast by £80m to £700m and put the stock back oo its buy list. Coortaulds bounced 7 to 516p on enthusiasm for the stock following Tuesday's annual meeting.

Profit-taking ahead of figures due today saw Wellcome tumble 16 to 615p.

One of the food industry's oldest bid rumours was rehashed yesterday as United Biscuits raced forward under the seemingly watchful eye of Cadbury Schweppes. The latter was said to be considering dumping its 25 per cent stake in US group Dr Pepper, having beeo denied a board seat and facing a bitter poison pill should it decide to opt for a full bid, and instead consider a UK altrenative. UB shares put on 10 to 316p, while Cadbury slipped 2½ to 44-1p.

Optimism that J. Sainsbury will enter the bidding for William Low saw the latter's shares move forward 5 to 261p. Kwik Save was again in the frame in the guise of its largest shareholder Dairy Farm, and put on 20 to 557p. Sainsbury shares slid 2 to 398p and Tesco a half-penny to 238p. Argyll's bullish trading statement on Tuesday saw the shares advance 8 to 259p.

Industrial conglomerate BTR was husy as Tuesday's cautious note from UBS continued to exact a toll. The shares shed 2 to 368p, with volume at 8.7m, once again heavy.

Ship builder VSEL raced 34 ahead to 908p, at the prospect of diminished competition with the near certain closure of rival Swan Hunter. One analyst said: "With Swan Hunter out of the picture, VSEL is left with a near monopoly in the surface war ships market." There was some talk in the market that the company may announce defence orders at today's annual meeting.

Defence electronics group GEC eased a penny to 273p, after it launched a £100m 8 per cent bond, maturing in 5 years. The issue is being lead managed by Goldman Sachs.

Favourable comment on Tuesday's announcement from British Aerospace of the sale of its Space systems unit to Matra Marconi helped the shares gain 4 to 494p. Shares in engineering group Bullough were in demand ahead of next week's interim figures and put on 3 at 141p.

Paper and packaging group David S. Smith lifted 22 to 550p following a well received set of figures that saw full year profits rise £15.1m to £42.2m and prompted a rash of upgrades.

Vodafone advanced 9 to 553p with Hoare Govett positive following the annual meeting.

US debt agency Standard & Poor's downgraded part of Forte's debt portfolio. The shares lost 5½ to 221p.

British Airways rose 5 to 434p in strong trade of 7.6m following a positive trading statement from USAir, in which it holds a stake.

MARKET REPORTERS:
Christopher Price,
Peter John,
Joel Kibazo.

■ Other statistics, Page 20

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures closed at the lowest level of the day as renewed fears of higher US interest rates to combat inflation caused jitters in the London market, *writes Joel Kibazo.*

Traders in the derivatives were unnerved during the afternoon by comments from Mr Greenspan suggesting that the recent slide in the US dollar could raise inflation.

The September contract on the FT-SE 100 had opened at 3,100, just ahead of cash, and traded sideways for the next few hours, with the mid-morning release of economic data on the UK money supply and retail sales making no impact on trading.

The contract drifted lower just ahead of lunchtime on the back of a weakening gilts sector, before Mr Greenspan's testimony brought about concerted selling in the last hour, as dealers also reacted to a poor opening on Wall Street.

September closed at 3,076, down 22 from its previous finish and at a 7-point discount to its fair value premium to cash of about 6 points. Volume improved to 14,322 lots.

There was also better turnover in the traded options sector. Closing volume was 27,216 contracts, with 10,312 dealt in the FT-SE 100 option. BT led the league table among the stock options, with a trade in the August 420 puts being the biggest contributor to the day's total of 1,702.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3100.0	3076.0	-22.0	3119.0	3068.0	14322	49291
Dec	3120.0	3086.0	-22.0	3120.0	3120.0	5	1803

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3596.0	3587.0	+12.0	3595.0	3591.0	15	4435

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Aug	3,585.0		-

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3078) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Aug	183½	12	141½	20	103½	33	71	50½	44	74	26	107½	13½	144½	6½	189½
Sep	204	27	165½	39	130	52½	98½	73	70	95	49½	123½	39½	157	18½	195½
Oct	220½	40	184	53	149	69	120½	90	93	113½	72½	142½	52½	174	39½	210½
Nov	235	52½	198	66	167	84½	138	105	111	128	90	158	69½	187½	64½	223
Dec†	249	63½			182	97			124	140			83	187		

Calls 5,114 Puts 4,974

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875	2925	2975	3025	3075	3125	3175	3225
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 398 Puts 989 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3450	3500	3550	3600	3650	3700	3750	3800
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Jul 20	Day's chge%	Jul 19	Jul 18	Jul 15	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3077.2	-0.5	3091.3	3082.0	3074.8	2814.1	4.06	6.65	17.26	70.08	1152.36
FT-SE Mid 250	3587.0	+0.4	3574.4	3560.3	3551.3	3195.4	3.44	5.77	20.85	80.37	1328.81
FT-SE Mid 250 ex Inv Trusts	3598.2	+0.4	3578.1	3562.0	3553.9	3209.4	3.58	6.24	19.41	83.80	1326.50
FT-SE-A 350	1550.3	-0.3	1554.5	1549.5	1545.8	1409.4	3.91	6.60	17.99	35.17	1186.73
FT-SE SmallCap	1808.10	+0.3	1804.49	1800.41	1797.25	1630.61	3.11	4.29	30.59	31.64	1394.27
FT-SE SmallCap ex Inv Trusts	1778.15	+0.2	1775.05	1770.38	1767.81	1631.07	3.29	4.73	28.27	32.73	1373.87
FT-SE-A ALL-SHARE	1537.38	-0.2	1540.95	1536.11	1532.50	1396.78	3.86	6.43	18.53	34.34	1188.20

■ FT-SE Actuaries All-Share

	Jul 20	Day's chge%	Jul 19	Jul 18	Jul 15	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	[illegible]										
12 Extractive Industries(4)	[illegible]										
15 Oil, Integrated(3)	[illegible]										
16 Oil Exploration & Prod(11)	[illegible]										
20 GEN MANUFACTURERS(264)	[illegible]										
21 Building & Construction(32)	[illegible]										
22 Building Matls & Merchs(31)	[illegible]										
23 Chemicals(22)	[illegible]										
24 Diversified Industrials(16)	[illegible]										
25 Electronic & Elect Equip(35)	[illegible]										
26 Engineering(70)	[illegible]										
27 Engineering, Vehicles(12)	[illegible]										
28 Printing, Paper & Packg(26)	[illegible]										
29 Textiles & Apparel(20)	[illegible]										
30 CONSUMER GOODS(97)	[illegible]										
31 Breweries(17)	[illegible]										
32 Spirits, Wines & Ciders(10)	[illegible]										
33 Food Manufacturers(23)	[illegible]										
34 Household Goods(13)	[illegible]										
36 Health Care(21)	[illegible]										
37 Pharmaceuticals(12)	[illegible]										
38 Tobacco(1)	[illegible]										
40 SERVICES(220)	[illegible]										
41 Distributors(31)	[illegible]										
42 Leisure & Hotels(24)	[illegible]										
43 Media(35)	[illegible]										
44 Retailers, Food(17)	[illegible]										
45 Retailers, General(45)	[illegible]										
48 Support Services(40)	[illegible]										
49 Transport(18)	[illegible]										
51 Other Services & Business(9)	[illegible]										
60 UTILITIES(36)	[illegible]										
62 Electricity(17)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(4)	[illegible]										
68 Water(13)	[illegible]										
69 NON-FINANCIALS(635)	[illegible]										
70 FINANCIALS(104)	[illegible]										
71 Banks(10)	[illegible]										
73 Insurance(17)	[illegible]										
74 Life Assurance(6)	[illegible]										
75 Merchant Banks(6)	[illegible]										
77 Other Financial(24)	[illegible]										
79 Property(41)	[illegible]										
80 INVESTMENT TRUSTS(123)	[illegible]										
89 FT-SE-A ALL-SHARE(862)	1537.38	[illegible]									

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	15.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

Time of FT-SE 100 High 8.30am Low 4.30pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	15.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]											
Pharmaceuticals	[illegible]											
Water	[illegible]											
Banks	[illegible]											

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	12,000	59¼	
Abbey National†	1,200	395	-9
Albert Fisher	4,200	45	-1
Allied-Lyons†	1,800	584	-2
Anglian Water	1,300	436	+8
Argos	444	346	-1
Argyll Group†	9,000	259	+8
Arjo Wiggins†	2,400	299	+4
[illegible]			

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	540	48	62½	-	1	7½	-
(*584)	580	6½	29	-	11	26½	-
Argyll	240	21	38	35½	1	8½	12
(*259)	260	4½	17½	24	3	18	21½
[illegible]							

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Hanson	240	19½	24½	28	2	7½	10
(*257)	260	5½	13	17	8	18	19½
Lasmo	134	7	15	-	3	9½	-
(*138)	154	1	7	-	18	22	-
[illegible]							

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	64	6
Other Fixed Interest	3	9	3
Mineral Extraction	90	38	72
General Manufacturers	182	100	369
Consumer Goods	42	34	114
Services	113	67	324
Utilities	24	8	13
Financials	140	54	175
Investment Trusts	162	26	278
Others	74	20	42
Totals	832	420	1396

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

Calls: Aran Energy, Division Group, Eidos, Hanson Wts, Tadpole Technology.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov	Grs yld	P/E net
100	F.P.	32.4	105	99½	Baillie Giffd Shn C	104½	+1	-	-	-	-
§40	F.P.	14.9	45	41	Biocure	41		-	-	-	-
[illegible]											

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
[illegible]							

FINANCIAL TIMES EQUITY INDICES

	Jul 20	Jul 19	Jul 18	Jul 15	Jul 14	Yr ago	High	Low
Ordinary Share	2391.6	[illegible]						
Ord. div. yield	[illegible]							
Earn. yld. % full	[illegible]							
P/E ratio net	[illegible]							
P/E ratio nil	[illegible]							

Ordinary Share hourly changes

[illegible]

	Jul 20	Jul 19	Jul 18	Jul 15	Jul 14	Yr ago
SEAQ bargains	[illegible]					
Equity turnover (£m)†	[illegible]					
Equity bargains†	[illegible]					
Shares traded (mil)†	[illegible]					

† Excluding intra-market business and overseas turnover

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21⅞	-⅛	£25⅝	£20⅞	6,330	5.2	ϕ
ANZ A$		281¼	+1¼	278¼	179¾	2,685	4.7	30.3
Abbey National	♣N☐	395	-9	523	381	5,182	4.4	13.3
Allied Irish E	♣N☐	257	+2	314	234	1,093	4.9	9.9
Anglo Irish E	♣N☐	60	+1	*76	65	206.5	7.2	11.8
Asahi Y		784½	+1	819½	626	14,205	3.0	ϕ
Banco Bil Viz Pta		£14⅝	+⅛	£16¾	£14½	3,392	5.7	6.5
Banco Sant Pta		£30½	—	*£30½	£23¾	4,608	4.7	16.6
Bk Ireland I£	♣☐	290	+4	*319	248	1,323	4.7	8.1
Bank Scotland	♣N☐	187	-5	247	172½	2,180	3.4	15.3
9¼pc Pf		118	-½	141½	114	113.0	9.8	–
9¾pc Pf		125	-½	149½	119¼	123.0	9.9	–
Barclays	♣N☐	546	-9	649	487	8,889	3.5	22.6
Dai Ichi Kan Y		£11⅞	—	£12⅝	£10⅞	27,328	0.6	63.5
Deutsche DM		£302⅝	-4⅞	£344¼	£270⅞	14,420	4.1	–
Espirito Santo		£16⅞	+⅛	£20⅛	£17⅞	201.9	4.1	4.7
First Nat Fin	N☐	[illegible]	—	*90	60	169.5	3.8	–
6.3pc Cv Pf		78xd	—	*90	77	5.24	10.1	–
7pc Cv Pf		129½xd	—	171	123	61.5	6.8	–
Fuji Bank Y		1463¾	+4¾	1649¾	1152½	43,271	0.4	ϕ
HSBC HK	N☐	752	—	1138	680	13,160	4.8	10.9
HSBC (75p Shs)	N☐	735	-3	1113	680	6,232	4.0	10.6
Lloyds	N☐	559	-14	660	510	7,169	5.6	11.7
Mitsubishi Y		£17	+⅛	£19⅞	£15⅝	48,944	0.3	ϕ
Mits Tst & Bk Y		1072	+3¾	1162¼	687½	12,846	0.3	16.5
Mitsui Tst & Bk Y		784½	+7½	879	614	9,289	0.7	26.7
Nat Aust A$	†	529½xd	—	620¼	469¾	7,073	6.0	11.1
NatWest	N☐	459	-15	622	421	7,821	3.0	10.5
Ottomane FFr		£23½	—	£33	£23½	117.8	6.2	ϕ
Ryl Bk Scotland	♣†N☐	399xd	-7½	529	392½	3,189	3.8	17.9
Sakura Y		£9⅝	+⅛	£11⅞	£8⅞	30,283	0.6	54.8

CHEMICALS

BREWERIES

DISTRIBUTORS

BUILDING & CONSTRUCTION

DIVERSIFIED INDUSTRIALS

BUILDING MATS. & MERCHANTS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£28¼	...	£27½	£13½	1,743	2.8	19.6
Barlow	Z	£4⅝	...	£5⅝	£3⅞	909.0	0.7	-
Gold Flds Prop R		112	+8	112	76	11.5	8.9	9.9
MK Props		85	...	85	85	3.42	10.5	34.9
SASOL	♥	387	-1	388	280	2,193	4.0	-
SA Brews		£12¼	-⅛	£15⅝	£10	3,353	2.3	18.8
Tiger Oats	†	837	...	838	538	857.9	2.5	11.4
Tongaat-Hulett		679	+9	*739¼	427½	315.7	2.3	18.9

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAV) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ✝ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
S Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
dl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2972. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 077-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organization, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Thornton Unit Managers Ltd - Contd.						
UK Blue Chip	5	81.57	81.61	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh					031-225 1551	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT					071-600 [illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woolwich Unit Trust Managers Ltd (1700)H						
2 White Oak Square, Swanley BR8 7AG					[illegible]	
Stockmarket Fd	5	76.94	77.01	81.32	-0.10	1.93

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Mutual Assurance plc

109 St Vincent St, Glasgow 041-248 6321

	Bid Price	Offer Price	+ or -	Yield Gross
Flex End Jul 12	1505.0	1644.3	—	–
Pen Mngd Jun 30	1260.1	1328.0	—	–
Safety Fund	228.0	240.0	-0.40	–
Growth Fund	226.5	238.5	—	–
Opportunity Fund	220.2	231.0	+0.10	–
Worldwide Venture Fnd	181.3	190.0	+1.00	–
UK Equity Fund	235.0	248.0	-1.30	–
UK Smaller Cos. Fund	221.1	232.8	+0.7	–
European Fund	348.0	366.4	+2.00	–
Far Eastern Fnd	353.9	372.6	+5.90	–
Japanese Fnd	152.9	161.0	+1.80	–
North American Fund	231.3	243.3	+2.00	–
International Fund	289.6	304.3	+2.90	–
Gilts & Fxd Int Fund	194.1	204.4	+0.3	–
Index-Linked Fund	174.5	183.7	+0.20	–
Property Fund	132.2	139.2	+0.10	–
Cash Fund	172.6	181.7	—	–
Pens Safety Fnd	275.0	289.5	-0.30	–
Pens Growth Fnd	243.5	256.4	+0.10	–
Pens Opportunity Fnd	244.7	257.6	+0.1	–
Pens W'wide Venture Fnd	192.2	202.4	+1.20	–
Pens UK Equity Fnd	236.1	248.6	-1.20	–
Pens UK Smlr Co's Fnd	200.5	211.1	-0.80	–
Pens European Fnd	321.8	338.8	+2.00	–
Pens Far East Fnd	414.4	436.3	+7.30	–
Pens Japanese Fnd	151.0	159.0	+1.8	–
Pens Nth American Fnd	293.2	308.7	+3.00	–
Pens International Fnd	300.4	316.2	+2.80	–
Pens Gilt/Fxd Int Fnd	232.5	244.6	+0.30	–
Pens Index-Linked Fnd	180.3	189.8	+0.20	–
Pens Property Fnd	147.2	155.0	—	–
Pens Cash Fund	214.3	225.6	—	–
Pens Halifax Fnd	229.9	242.0	+0.10	–

Scottish Provident Group

6 St Andrew Sq, Edinburgh 031-556 2652

Scottish Provident Institution Funds

Life Funds

	Bid Price	Offer Price	+ or -	Yield Gross
With-Profits	112.4	118.4	+0.1	–
Managed	264.5	278.5	+0.5	–
Blue Chip	141.0	148.6	+0.1	–
Equity	273.2	287.7	+0.3	–
International	289.0	304.3	+0.6	–
Property	233.5	245.9		–
Fixed Interest	211.0	222.2	-0.2	–
Index-linked	172.7	181.9	+0.4	–
Cash	185.0	194.8	—	–
Money Market	121.0	129.3	—	–
American Performance	162.2	170.0	+1.0	–

[illegible]

Sun Alliance Group - Contd.

Property Growth Life Funds

[illegible]

Sun Life Unit Assurance Ltd

St James Barton, Bristol BS99 7SL 0272 426911

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE INSURANCES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Greenspan scares dollar

Hawkish comments about inflation from the Fed chairman, Mr Alan Greenspan, yesterday put the skids under the dollar's recent revival, *writes Philip Gawith.*

In the course of his Humphrey Hawkins testimony to Congrees, Mr Greenspan struck a more cautious note than anticipated. This led to a sell-off in the US bond market, and this spilled over into dollar weakness.

After touching a high in Europe of DM1.5781 the US currency finished in London at DM1.5662. Against the yen it slipped back from a high of Y99.55 to close at Y98.76. This compared to lows last week around DM1.52 and Y97.

The Fed chairman's later comments, that a weak dollar was bad for the economy, prompted a recovery during US trading.

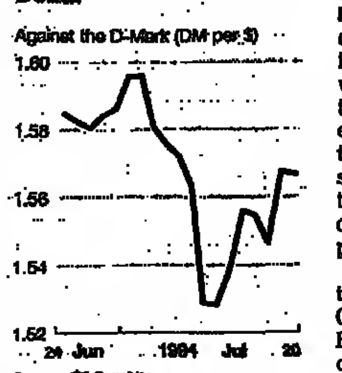
In the UK sterling paid little attention to the cabinet reshuffle, or to retail sales and mooey supply figures. The sterling index finished at 79.3 from 79.5.

The D-Mark showed little change ahead of today's Bundesbank council meeting, the last before the four week summer recess. The balance of opinion in the market is against a cut in the discount rate. Yesterday the Bank allowed the repo rate to fall by three basis points to 4.88 per cent.

The lira managed to firm above the L1,000 level against the D-Mark, finishing at L996.3 from L1,001.

Dollar

Against the D-Mark (DM per $)



Source: FT Graphite

■ **Pound in New York**

Jul 20	—Latest—	– Prev. close –
£ spot	1.5497	1.5485
1 mth	1.5452	1.5478
3 mth	1.5443	1.5466
1 yr	1.5407	1.5422

■ The market was surprised by Mr Greenspan's caution when he noted that it was an "open question" whether the Fed had done enough to head off inflation.

This was taken to mean the Fed might not yet have reached the end of the monetary tightening phase, and the dollar was initially bought on this news.

When bond prices started to fall, however, the dollar soon followed suit, ending the day lower.

The other feature of the Fed chairman's testimony was his comment that the "substantial" drop in the dollar was likely to fuel inflation, if not reversed. This is the closest Mr Greenspan has come in recent months to acknowledging that the weakness of the dollar might be a concern. He appeared to be saying that the Fed would act to stop the currency falling too low.

Mr Chris Turner, currency strategist at BZW, commented: "This is not the right time to sell the dollar on anything more than a 1-2 month horizon. Mr Greenspan has identified the dollar as a major factor in Fed thinking."

He said the dollar was probably now close to bottoming against the D-Mark, but was vulnerable to falling further against the yen. If the month-end deadline for progress in trade talks with Japan is not met, there is a possibility that the US might resort to sanctions.

These views were echoed by Mr Keith Edmonds, chief analyst at IBJ International in London. He added that the pattern of the dollar following the bond market, though understandable in the short term, would not necessarily persist. "The danger to the dollar from a Fed tightening in terms of it upsetting the bond market is fairly small."

The December eurodollar future traded at 94.24, suggesting the market is pricing 3-month money at 5.76 per cent by the end of the year, compared to 4.68 per cent currently.

■ The D-Mark had a steady day ahead of the council meeting. The cut in the repo rate was in line with market expectations. Analysts are divided about what to expect today, though only three out of 20 sampled by Reuters predicted that the discount rate would be cut from its current level of 4½ per cent.

Ms Alison Cottrell, international economist at Midland Global Markets, described the Bundesbank's dilemma: "At only a couple of basis points off the repo a week, the Bundesbank will finish its recess (August 18) at a spread of 30 basis points to the discount rate - very close to its 25 basis point "margin of tolerance", and hence boxed into a corner by rate-cut speculation."

"A pre-emptive discount rate cut, with no acceleration in the pace of repo rate cuts, would make money management a lot easier," said Ms Cottrell.

The problem with this theory is that when faced with a similar choice last December, the Bundesbank chose to fix the repo rate for a few months.

■ Volumes in the short sterling market were quiet, but the December contract lost ground to finish at 93.92 from 93.97. Analysts said the market was in a profit-taking mode following the sharp rise last week.

The market appeared to be slightly unnerved by the larger than expected M4 money supply growth, and later by the bearish implications of Mr Greenspan's comments for interest rate policy. Euromarks were also weaker, with the December contract closing at 95.12 from 95.17.

The Bank of England announced that it will today provide UK money markets with £2.454bn by way of repo and secured loan facilities. In its daily operations it provided the market with £639m assistance afer declaring a £650m shortage.

■ **OTHER CURRENCIES**

Jul 20	£	$
Hungary	157.228 - 157.367	100.820 - 100.870
Iran	2731.00 - 2733.00	1748.00 - 1750.00
Kuwait	0.4585 - 0.4609	0.2967 - 0.2975
Poland	34800.2 - 34860.4	22315.0 - 22345.0
Russia	3130.53 - 3139.93	2021.00 - 2031.00
U.A.E.	5.6793 - 5.6908	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 20		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0695	-0.0158	617 - 772	17.1353	16.9767	17.0657	0.3	17.0601	0.2	-	-	115.1
Belgium	(BFr)	49.9847	-0.0225	424 - 269	50.2110	49.9424	49.9797	0.1	50.0247	-0.3	50.0247	-0.1	116.5
Denmark	(DKr)	9.5262	-0.015	225 - 299	9.5563	9.5206	9.5332	-0.9	9.5483	-0.9	9.5932	-0.7	117.1
Finland	(FM)	8.0352	-0.0113	256 - 447	8.0730	8.0256	-	-	-	-	-	-	82.3
France	(FFr)	8.3101	-0.0212	067 - 135	8.3542	8.3067	8.3131	-0.4	8.3175	-0.4	8.2949	0.2	109.7
Germany	(DM)	2.4259	-0.0025	250 - 268	2.4360	2.4238	2.4254	0.2	2.4235	0.4	2.4009	1.0	125.9
Greece	(Dr)	366.869	-0.075	554 - 184	367.798	366.554	-	-	-	-	-	-	-
Ireland	(I£)	1.0126	-0.0033	115 - 136	1.0189	1.0115	1.0128	-0.2	1.0137	-0.4	1.0173	-0.5	104.5
Italy	(L)	2416.46	-14.88	574 - 717	2434.96	2415.74	2422.96	-3.2	2435.81	-3.2	2488.26	-3.0	76.3
Luxembourg	(LFr)	49.9847	-0.0225	424 - 269	50.2110	49.9424	49.9797	0.1	50.0247	-0.3	50.0247	-0.1	116.5
Netherlands	(Fl)	2.7215	-	203 - 226	2.7322	2.7199	2.7207	0.3	2.7189	0.4	2.697	0.9	120.5
Norway	(NKr)	10.5919	-0.0352	878 - 957	10.6456	10.5878	10.5888	0.3	10.5993	-0.3	10.5853	0.1	88.8
Portugal	(Es)	249.691	-0.189	480 - 902	250.533	249.446	251.421	-8.3	254.601	-7.9	-	-	-
Spain	(Pta)	199.970	-0.348	847 - 092	200.729	199.847	200.415	-2.7	201.275	-2.6	204.255	-2.1	88.2
Sweden	(SKr)	12.0282	+0.0263	196 - 367	12.0580	11.9574	12.0497	-2.1	12.1002	-2.4	12.3207	-2.4	73.3
Switzerland	(SFr)	2.0508	+0.0027	496 - 520	2.0589	2.0496	2.049	1.1	2.0454	1.1	2.0195	1.5	120.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.3
Ecu	-	1.2693	-0.0025	685 - 701	1.2743	1.2685	1.2701	-0.8	1.2714	-0.7	1.2721	-0.2	-
SDR†	-	0.937663	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5470	-0.0107	466 - 474	1.5492	1.5365	-	-	-	-	-	-	-
Brazil	(R)	1.4382	-0.0156	371 - 393	1.4393	1.4382	-	-	-	-	-	-	-
Canada	(C$)	2.1400	-0.0146	391 - 408	2.1408	2.1271	2.1413	-0.7	2.1444	-0.8	2.1649	-1.2	85.8
Mexico	(New Peso)	5.2725	-0.0301	690 - 760	5.2760	2.2461	-	-	-	-	-	-	-
USA	($)	1.5490	-0.0106	486 - 493	1.5515	1.5407	1.5481	0.7	1.5469	0.5	1.5419	0.5	62.9
Pacific/Middle East/Africa													
Australia	(A$)	2.1038	-0.0229	026 - 050	2.1072	2.0900	2.1038	0.0	2.1051	-0.2	2.1232	-0.9	-
Hong Kong	(HK$)	11.9657	-0.0835	622 - 691	11.9847	11.9027	11.9615	0.4	11.9607	0.2	11.9678	0.0	-
India	(Rs)	48.5886	-0.3443	718 - 054	48.8670	48.3390	-	-	-	-	-	-	-
Japan	(Y)	152.975	-1.465	876 - 071	154.050	152.878	152.585	3.1	151.8	3.1	147.745	3.4	190.9
Malaysia	(M$)	4.0172	-0.0262	155 - 189	4.0246	3.9961	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5741	-0.0284	724 - 757	2.5837	2.5627	2.578	-1.9	2.5858	-1.8	2.6061	-1.3	-
Philippines	(Peso)	40.8150	-0.4416	185 - 114	41.2115	40.4180	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8091	-0.0409	076 - 106	5.8194	5.7764	-	-	-	-	-	-	-
Singapore	(S$)	2.3398	-0.0169	385 - 411	2.3452	2.3303	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6998	-0.0286	973 - 022	0.7105	5.6736	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.0013	-0.0568	842 - 183	7.0183	6.9842	-	-	-	-	-	-	-
South Korea	(Won)	1247.60	-8.74	724 - 796	1249.56	1241.03	-	-	-	-	-	-	-
Taiwan	(T$)	41.2488	-0.2171	616 - 353	41.3490	41.1616	-	-	-	-	-	-	-
Thailand	(Bt)	38.6773	-0.2665	531 - 015	38.7580	38.5020	-	-	-	-	-	-	-

†SDR rate for Jul 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 20		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.0200	+0.0665	175 - 225	11.1035	11.0175	11.0232	-0.4	11.0237	-0.1	10.9539	0.6	104.2
Belgium	(BFr)	32.2700	+0.21	500 - 900	32.5200	32.2500	32.29	-0.7	32.335	-0.8	32.39	-0.4	105.7
Denmark	(DKr)	6.1501	+0.0325	491 - 511	0.1929	0.1483	6.1581	-1.2	0.1671	-1.1	6.2041	-0.6	105.4
Finland	(FM)	5.1875	+0.0288	825 - 925	5.2279	5.1825	5.1905	-0.7	5.193	-0.4	5.232	-0.9	76.9
France	(FFr)	5.3650	+0.0237	640 - 660	5.4090	5.3640	5.3701	-1.1	5.377	-0.9	5.35	0.3	105.9
Germany	(D)	1.5662	+0.0093	659 - 664	1.5781	1.5656	1.5668	-0.5	1.5668	-0.1	1.5572	0.6	106.8
Greece	(Dr)	236.850	+1.8	700 - 000	238.300	236.600	237.2	-1.8	237.97	-1.9	241.35	-1.9	69.3
Ireland	(I£)	1.5298	-0.0057	285 - 310	1.5310	1.5174	1.5288	0.7	1.5268	0.8	1.5199	0.6	-
Italy	(L)	1560.06	+1.31	995 - 017	1575.50	1559.95	1565.21	-4.0	1574.71	-3.8	1614.06	-3.5	76.6
Luxembourg	(LFr)	32.2700	+0.21	500 - 900	32.5200	32.2500	32.29	-0.7	32.335	-0.8	32.39	-0.4	105.7
Netherlands	(Fl)	1.7570	+0.0122	566 - 573	1.7715	1.7562	1.7576	-0.4	1.7563	0.1	1.7492	0.4	105.5
Norway	(NKr)	6.8380	+0.0249	370 - 390	6.8974	6.8370	6.8415	-0.6	6.846	-0.5	0.8215	0.2	96.6
Portugal	(Es)	161.200	+1	100 - 300	162.150	161.100	162.43	-9.2	164.47	-8.1	171.6	-6.5	94.2
Spain	(Pta)	129.100	+0.675	050 - 150	130.000	129.050	129.465	-3.4	130.12	-3.2	132.48	-2.6	81.6
Sweden	(SKr)	7.7654	+0.0709	616 - 691	7.8159	7.7216	7.7824	-2.6	7.8188	-2.8	7.9734	-2.7	78.8
Switzerland	(SFr)	1.3240	+0.011	235 - 245	1.3355	1.3235	1.3237	0.3	1.3223	0.5	1.3096	1.1	106.3
UK	(£)	1.5490	-0.0106	486 - 493	1.5515	1.5407	1.5481	0.7	1.5469	0.5	1.5419	0.5	87.7
Ecu	-	1.2203	-0.0062	198 - 208	1.2208	1.2116	1.2189	1.4	1.2167	1.2	1.2285	-0.7	-
SDR†	-	1.46463	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9988	+0.0001	987 - 988	0.9989	0.9986	-	-	-	-	-	-	-
Brazil	(R)	0.9285	-0.0035	280 - 290	0.9300	0.9280	-	-	-	-	-	-	-
Canada	(C$)	1.3816	+0.0003	813 - 816	1.3830	1.3759	1.3832	-1.4	1.3863	-1.4	1.4042	-1.6	82.5
Mexico	(New Peso)	3.4039	+0.0044	024 - 054	3.4054	3.4000	3.4049	-0.4	3.4067	-0.3	3.4141	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	66.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3583	-0.0052	578 - 587	1.3609	1.3557	1.3586	-0.2	1.3593	-0.3	1.3666	-0.6	86.5
Hong Kong	(HK$)	7.7250	+0.0001	245 - 255	7.7255	7.7245	7.7248	0.0	7.7255	0.0	7.7405	-0.2	-
India	(Rs)	31.3688	-0.0025	650 - 725	31.3725	31.3650	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	98.7600	-0.265	200 - 000	99.5500	98.7200	98.565	2.4	98.13	2.6	95.815	3.0	150.3
Malaysia	(M$)	2.5935	-	930 - 940	2.5950	2.5930	2.5843	4.3	2.573	3.2	2.6465	-2.0	-
New Zealand	(NZ$)	1.6618	-0.0067	611 - 625	1.6658	1.6611	1.6627	-0.7	1.6646	-0.7	1.6699	-0.5	-
Philippines	(Peso)	26.3500	-0.1	000 - 000	26.7000	26.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-0.0001	502 - 505	3.7505	3.7502	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5106	-0.0001	101 - 111	1.5122	1.5101	1.5093	1.1	1.5074	0.9	1.5006	0.7	-
S Africa (Com.)	(R)	3.6798	+0.0073	790 - 805	3.6890	3.6662	3.6953	-5.1	3.7236	-4.8	3.8003	-3.3	-
S Africa (Fin.)	(R)	4.5200	-0.005	100 - 300	4.5350	4.5100	4.5537	-9.0	4.9125	-8.2	-	-	-
South Korea	(Won)	805.450	-	400 - 500	805.500	805.300	808.45	-4.5	811.95	-3.2	830.45	-3.1	-
Taiwan	(T$)	26.6300	+0.046	800 - 800	26.6800	26.5800	26.65	-0.8	26.69	-0.9	-	-	-
Thailand	(Bt)	24.9700	-0.01	600 - 800	24.9900	24.9600	25.0425	-3.5	25.17	-3.2	25.65	-2.7	-

†SDR rate for Jul 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 19. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 20		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.06	16.63	4.852	2.026	4834	5.444	21.18	499.4	400.0	24.05	4.102	2.001	4.282	3.099	305.8	2.539
Denmark	(DKr)	52.47	10	8.723	2.546	1.062	2536	2.856	11.12	262.0	209.8	12.62	2.152	1.050	2.246	1.626	160.5	1.332
France	(FFr)	60.14	11.46	10	2.916	1.216	2907	3.274	12.74	300.4	240.6	14.46	2.467	1.203	2.575	1.864	184.0	1.527
Germany	(DM)	20.61	3.928	3.427	1	0.417	996.3	1.122	4.367	102.9	82.43	4.957	0.845	0.412	0.882	0.638	63.05	0.523
Ireland	(I£)	49.39	9.413	8.211	2.396	1	2387	2.689	10.46	246.8	197.5	11.88	2.026	0.988	2.115	1.531	151.1	1.254
Italy	(L)	2.069	0.394	0.344	0.100	0.042	100.	0.113	0.438	10.33	8.274	0.498	0.085	0.041	0.089	0.064	6.329	0.053
Netherlands	(Fl)	18.37	3.501	3.054	0.891	0.372	887.8	1	3.892	91.73	73.47	4.417	0.753	0.368	0.786	0.569	56.16	0.466
Norway	(NKr)	47.20	8.995	7.847	2.290	0.956	2281	2.569	10	235.7	188.8	11.35	1.936	0.944	2.021	1.463	144.4	1.196
Portugal	(Es)	20.02	3.817	3.329	0.972	0.405	967.9	1.090	4.243	100.	80.09	4.818	0.821	0.401	0.857	0.621	61.26	0.508
Spain	(Pta)	25.00	4.765	4.157	1.213	0.506	1209	1.361	5.298	124.9	100.	6.013	1.026	0.500	1.071	0.775	76.49	0.635
Sweden	(SKr)	41.58	7.925	6.913	2.017	0.842	2010	2.264	8.810	207.7	166.3	10	1.705	0.832	1.780	1.289	127.2	1.056
Switzerland	(SFr)	24.33	4.647	4.054	1.183	0.494	1179	1.327	5.166	121.8	97.51	5.863	1	0.488	1.044	0.756	74.59	0.616
UK	(£)	49.98	9.526	8.310	2.425	1.012	2416	2.721	10.59	249.6	199.9	12.02	2.050	1	2.140	1.549	152.9	1.269
Canada	(C$)	23.36	4.451	3.883	1.133	0.473	1129	1.271	4.949	116.6	93.41	5.617	0.958	0.467	1	0.724	71.45	0.593
US	($)	32.27	6.150	5.365	1.566	0.653	1560	1.757	6.837	161.1	129.1	7.760	1.323	0.646	1.382	1	98.71	0.816
Japan	(Y)	326.9	62.30	54.35	15.86	6.616	15801	17.80	69.26	1632	1307	78.61	13.41	6.540	14.00	10.13	1000.	8.300
Ecu		39.39	7.507	6.548	1.911	0.797	1904	2.144	8.345	196.7	157.5	9.472	1.615	0.788	1.686	1.221	120.5	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6378	0.6366	-0.0016	0.6383	0.6338	60,279	87,016
Dec	0.6350	0.6368	-0.0037	0.6368	0.6350	203	3,284
Mar	-	0.6374	-	-	0.6372	52	741

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0122	1.0128	-0.0006	1.0150	1.0086	36,182	69,385
Dec	1.1070	1.0196	-0.0010	1.0167	1.0170	591	4,867
Mar	-	1.0265	-	-	1.0260	53	720

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7533	0.7534	-0.0014	0.7547	0.7495	28,424	43,492
Dec	0.7521	0.7544	-0.0028	0.7547	0.7521	117	1,053
Mar	-	0.7592	-	-	-	2	6

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5482	1.5444	-0.0038	1.5490	1.5390	17,091	40,536
Dec	1.5410	1.5430	-0.0064	1.5430	1.5400	71	707
Mar	-	1.5410	-	-	1.5400	6	151

EMS EUROPEAN CURRENCY UNIT RATES

Jul 20	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15126	+0.00276	-2.07	4.68	-
Belgium	40.2123	39.5145	+0.0496	-1.74	4.33	13
Germany	1.94964	1.91807	+0.00254	-1.62	4.20	-
Ireland	0.808628	0.800975	-0.002244	-0.95	3.50	8
France	6.53883	6.57489	+0.00173	0.55	1.95	-5
Denmark	7.43679	7.53009	+0.00194	1.25	1.25	-8
Portugal	192.854	197.241	+0.106	2.27	0.24	-15
Spain	154.250	158.131	-0.037	2.52	0.00	-18
NON ERM MEMBERS						
Greece	264.513	289.873	+0.278	9.59	-6.45	-
Italy	1793.16	1915.77	-12.37	6.84	-4.04	-
UK	0.786749	0.789565	-0.001367	0.36	2.15	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.475	8.80	6.96	7.27	-	0.30	0.64
1.500	4.47	4.93	5.36	0.15	0.69	1.20
1.525	2.51	3.16	3.73	0.64	1.43	2.04
1.550	1.06	1.88	2.49	1.71	2.56	3.16
1.575	0.37	1.01	1.56	3.43	4.17	4.72
1.600	0.07	0.50	0.91	5.63	6.08	6.54

Previous day's vol., Calls 25,909 Puts 28,742 . Prev. day's open int., Calls 616,258 Puts 490,724

WORLD INTEREST RATES

MONEY RATES

July 20	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
[illegible]								

■ **$ LIBOR FT London Interbank Fixing** [illegible]

ECU Linked Ds mid rates: [illegible]

EURO CURRENCY INTEREST RATES

Jul 20	Short term	7 days notice	One month	Three months	Six months	One year
[illegible]						

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

■ **THREE MONTH EUROLIRA INT. RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
[illegible]							

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
[illegible]							

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS			PUTS		
[illegible]						

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS			PUTS		
[illegible]						

UK INTEREST RATES

LONDON MONEY RATES

Jul 20	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 4	5$\frac{5}{16}$ - 5⅛	5⅛ - 5	5¼ - 5⅛	5⅝ - 5⅜	6⅛ - 6
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	[illegible]					
Local authority deps.	[illegible]					
Discount Market deps	[illegible]					

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

Certs of Tax dep. (£100,000) [illegible]

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9450	0.14	0.08	0.07	0.08	0.66	1.21
9475	0.03	0.04	0.04	0.23	0.87	1.43
9500	0	0.01	0.02	0.45	1.09	1.88

Est. vol. total, Calls 1661 Puts 11673. Previous day's open int., Calls 224426 Puts 212954

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES– Gross: Contractual rate taking account of the deduction [illegible] Net: Rate of interest payable [illegible] basic rate income tax. Gross CAR: [illegible] take account of compounding [illegible] once a year. 'Compounded Annual' [illegible] of which interest is credited [illegible]

30–90 day notice available Tel 061–823 5328

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 20 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Jul 20 / Frs.)

[illegible]

DENMARK (Jul 20 / Kr)

[illegible]

FINLAND (Jul 20 / Mka)

[illegible]

FRANCE (Jul 20 / Frs.)

[illegible]

GERMANY (Jul 20 / Dm.)

[illegible]

ITALY (Jul 20 / Lire)

[illegible]

NETHERLANDS (Jul 20 / Fls.)

[illegible]

NORWAY (Jul 20 / Kroner)

[illegible]

SPAIN (Jul 20 / Pta.)

[illegible]

SWEDEN (Jul 20 / Kronor)

[illegible]

SWITZERLAND (Jul 20 / Frs.)

[illegible]

PACIFIC

JAPAN (Jul 20 / Yen)

[illegible]

AUSTRALIA (Jul 20 / Aus.$)

[illegible]

HONG KONG (Jul 20 / H.K.$)

[illegible]

MALAYSIA (Jul 20 / MYR)

[illegible]

SINGAPORE (Jul 20 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Jul 20 / Can $)

4 pm close

[illegible]

MONTREAL (Jul 20 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Jul 20 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994 except Toronto & Montreal [illegible]. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

You can obtain the current annual reports of companies annotated with ♣. Ring 081 770 0770 or fax 081 770 3822, quoting FT Japan. If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822 quoting FT Japan. The Reports will be sent on the next working day & [illegible] please remember to state FT Japan and also your post code.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, July 20, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	5.9m	341	-1	Mitsubishi Oil	3.7m	1190	-10
Mitsubishi Hvy	5.8m	798	-8	Mitsubishi Kakok	3.7m	1270	+80
Fuji Electric	4.4m	588	+10	Kawasaki Steel	3.6m	402	+1
Mitsubishi Elec	4.2m	709	-1	Nihon Nosan	3.5m	549	+17
Mitsui Sugar	3.9m	638	+33	Sumitomo Chem	3.3m	535	+1

INDICES

[illegible]

	Jul 20	Jul 19	Jul 18	1994 High		1994 Low	
Italy							
Banca Comm Ital (1972)	716.50	704.83	698.69	817.17	10/5	598.86	10/1
MIB General (4/1/94)	1157.0	1138.0	1113.0	1318.00	10/5	944.60	10/1
Japan							
Nikkei 225 (16/5/49)	20780.76	20775.16	20717.64	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	302.22	302.08	302.29	311.71	13/6	268.22	4/1
Topix (4/1/68)	1665.49	1664.30	1665.01	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2531.55	2519.38	2506.91	2542.65	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1009.72	998.20	1005.05	1314.46	5/1	928.33	4/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jul	2057.0	2047.0	-18.0	2075.0	2035.0	26,351	30,960
Aug	2063.5	2055.0	-18.5	2082.0	2046.5	-	958
Sep	2071.5	2063.5	-18.0	2094.0	2054.0	2,988	25,313

Open interest figures for previous day.

Sat July 16: Taiwan Weighted Price (c); Korea Comp Ex 949.73. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 256.7, JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ‡ Toronto. (c) Closed (u) Unavailable. † IBIS/DAX after-hours Index: Jul 20 - 2120.97 -8.89

US INDICES

[illegible]

	Jul 19	Jul 18	Jul 15	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrial♥	529.02	530.44	528.97	568.59 (2/2)	510.05 (21/4)	568.59 (2/2/94)	3.52 (21/6/32)
Financial	44.88	45.32	45.08	48.54 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	250.85	251.44	251.05	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.98	432.58	431.55	487.89 (2/2)	422.87 (25/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	719.32	722.82	721.38	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jul 15	Jul 8	Jul 1	Year ago
Dow Jones Ind. Div. Yield	2.71	2.74	2.79	2.95
	Jul 13	Jul 6	Jun 29	Year ago
S & P Ind. Div. yield	2.47	2.49	2.49	2.58
S & P Ind. P/E ratio	22.93	22.72	23.10	24.89

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	454.85	454.50	-0.35	455.20	454.50	40,295	203,320
Dec	-	457.40	-	-	-	473	12,400
Mar	-	460.80	-	-	-	363	2,796

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Compaq	4,402,900	33⅝	-1⅛
Chase Man	3,880,200	36⅜	-2⅜
Signet Bank	3,019,800	36⅝	-4½
Pinnacle	2,603,100	17⅝	-¼
Pepsico	2,356,800	30⅛	—
Gen Elec	2,297,500	48⅝	+⅜
Motorola	2,258,000	46⅝	-⅛
Wal-Mart	2,214,800	25⅝	-⅛
Praxus Co	2,210,800	30⅝	-2⅞
A T & T	2,122,300	53⅝	-½

■ TRADING ACTIVITY

● Volume (million)

	Jul 19	Jul 18	Jul 15
New York SE	251.488	227.445	274.648
Amex	14.457	12.803	14.171
NASDAQ	271.899	224.439	202.745
NYSE			
Issues Traded	2,842	2,857	2,825
Rises	970	1,116	1,196
Falls	1,093	1,001	871
Unchanged	779	740	758
New Highs	56	51	43
New Lows	44	40	39

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close July 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17 3/8	13 3/8	AAR	0.48	3.4	470	72	14 1/8	14	14 1/8	
18 7/8	13	A L Labs A	0.18	1.3	31	66	13 7/8	13 5/8	13 5/8	
73	57 5/8	AMP	1.00	2.4	24	1831	71 1/4	69 7/8	70 1/4	-7/8
72 3/4	52 1/8	AMR			31	9966	64	60 5/8	61 3/8	-1 1/2
5	3 3/8	ARX			12	321	3 1/8	3 5/8	3 5/8	-1/8
58 1/8	36 5/8	ASA	2.00	4.4	29	460	45 3/4	44 7/8	45 1/8	-3/8
31 3/8	25 3/8	AbbotL 4	0.76	2.7	16	6128	28	27 1/2	27 7/8	+1/4
13 3/4	11 3/8	Abitibi Pr	0.50	4.8	8	25	12 3/4	12 5/8	12 5/8	-1/8
23 5/8	17 3/4	ABM Ind x	0.52	2.6		107	20	19 1/2	19 7/8	-1/8
13 3/4	11 1/8	Acpincalo			24	47	13 1/4	13	13 1/4	-1/8
31	22 3/4	ACE Ltd	0.44	1.7	4	575	25 1/4	24 5/8	25 1/4	+1/2
12 1/2	10 1/8	ACM Gvt In	1.09	10.1		222	11	10 7/8	10 7/8	
10 1/8	7 7/8	ACM GvOpp	0.80	0.5		14	8 1/8	8 1/4	8 3/8	+1/8
10 5/8	0	ACM Gvt Sp	0.96	11.8		138	8 1/4	8 1/8	8 1/8	-1/8
12	9 1/8	ACM Gvt Se	1.09	11.5		374	9 1/2	9 3/8	9 1/2	+1/8
11 3/4	8 3/4	ACM Man	1.08	12.0		295	9	8 7/8	9	
9 1/4	0	ACM Managd	0.72	8.9		28	8 1/4	8 1/2	8 1/8	
15 1/2	6 3/4	AcmeCtv	0.44	3.8	14	123	11 7/8	11 1/2	11 1/2	-1/4
9 1/4	6 1/2	Acme Elect			5	35	7 7/8	7 1/2	7 7/8	+1/8
28 3/4	23	Acordia	0.60	2.3	13	18	26 1/8	26 1/2	26 1/2	
9 3/8	5 3/4	Action	0.36	4.1	2	369	8	8 7/8	8 7/8	-1/4
16 5/8	11 1/4	Adaxon			68	1017	12 1/8	11 5/8	11 5/8	-1/2
18 7/8	16 1/2	Adams Expr	0.48	2.0	6	189	17 1/4	17	17	-1/4
64	46 1/2	Ad Micro	3.55	5.7		518	63	52 1/8	52 7/8	-3/8
31 3/4	16 3/4	AdvMic	3.06	12.2	10	6635	24 7/8	24 3/8	24 5/8	-1/4
6 7/8	5	Advest Grp	0.16	2.1	8	227	5 1/8	5 1/8	5 1/8	-1/4
20	15	Advo Inc	0.10	0.6	110	120	17 3/4	17 1/2	17 1/2	+1/4
[illegible]										

[illegible]

Continued on next page

4 pm close July 20

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
6½	4⅞	SafewayWBS				139	6⅝	6¼	6⅜	
31	47⅞	StJoePaper	0.20	0.3	307	203		59	58¼	58½	-⅞
30¼	25	StJoeLP	1.80	7.6	13	21	25¾	25¾	25¾	-⅛
45	37¾	StPaul	1.50	3.7	4	697	40½	40⅛	40¼	
9⅝	6	Salant Crp			3	21	6½	6½	6½	
49⅞	34¼	Sallie Mae	1.40	4.1	7	1925	34¾	34½	34½	-⅛
13⅞	11⅞	Salomon Br	0.28	2.3		558	12⅜	12¼	12⅜	+⅛
52⅝	43	Salomon	0.64	1.5	5	2241	43⅛	d42½	42½	-⅝
20	17½	SDgGE	1.52	7.7	18	417	19¾	19⅝	19¾	
18	7½	SantaFeEPc	0.16	1.7	9	1095	9⅝	9⅜	9½	+⅛
15¾	13½	SFeGd				1724	14¾	14⅜	14¾	+½
40	31½	SantaFePac	2.80	7.8	13	60	35¾	35½	35¾	
28¼	18½	SanFeP	0.10	0.5	18	9359	20	19¼	19½	-¼
26	19⅞	SaraLee	0.64	9.1	14	5567	20⅞	20½	20¾	+⅛
50⅛	42⅛	Scana Corp	2.82	6.4	11	126	44⅛	43½	44⅛	
20½	12½	Scecrp	1.00	7.7	8	2090	13⅛	13	13	
40½	21¾	ScheringP			26	180	34⅞	34	34⅞	+⅞
60⅞	54½	SchPl	2.04	3.3	14	5738	62	61	61½	-½
63	50¾	Schlmb	1.20	2.0	29	2429	61⅞	60¾	61⅞	+⅛
33⅞	23¾	Schwab(C)	0.28	1.1	12	1026	25⅞	25⅛	25⅞	
10¾	6⅛	Schwitzer			24	18	8⅝	8⅝	8⅝	-⅛
38⅞	24⅞	SciAtl	0.12	0.4	87	487	34½	33¾	33⅞	-⅞
18⅞	13	Scotsman	0.10	0.7	13	26	14½	14¼	14½	+⅛
53¾	37¼	ScottP	0.80	1.5	13	5700	u54⅞	53⅞	53¾	+½
28⅝	18⅝	ScuddrNAsF	0.27	0.9		31	23¾	23½	23½	-⅛
12⅝	9½	ScuddrNEuF	0.13	1.6		205	10⅝	10	10⅝	-¼
18¼	13½	SeaCnB	0.70	4.3	8	18	16⅜	16¼	16¼	
16½	14⅞	SeaC1.4625	1.46	9.3		11	16	15¾	16¼	
32	28¾	Seagram	0.56	1.8	39	3958	30½	30¼	30½	+⅛
[illegible]										

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

AMEX COMPOSITE PRICES

4 pm close July 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close July 20

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

Dow turns lower in response to Greenspan

Wall Street

US stocks suffered a setback yesterday morning when the chairman of the Federal Reserve said he could not rule out an early move to tighter money, *writes Frank McGurty in New York*.

By 1 pm, the Dow Jones Industrial Average was 13.92 lower at 3,734.39, while the more broadly based Standard & Poor's 500 was down 1.91 at 451.95.

Volume on the New York SE was modest, with 156m shares exchanged by early afternoon. Declining issues led advances by 1,278 to 678.

In the secondary markets, the American SE composite was off a scant 0.87 at 433.03 and the Nasdaq composite buckled 5.86 to 713.46.

For at least s week the market had anticipated yesterday's congressional testimony by Mr Alan Greenspan, the Fed chief. When he finally delivered his twice-annual Humphrey-Hawkins hriefing half an hour after trading began, the tone and substance of his remarks were a surprise.

He said the ceotral bank was still uncertain wbether credit conditions were sufficiently tight to snuff out inflationary pressures in the economy. He added that a further lifting of interest rates was still "an open question".

With the prospect of a fresh period of uncertainty over monetary policy, the bond market went into decline. By midday the price of the benchmark 30-year government issue was down nearly a point, even though the Commerce Department released data suggesting a cooling of the housing sector.

Initially, share prices followed bonds to sharply lower levels, but managed to recover somewhat in the late morning. Cyclical issues led the retreat, with Caterpillar off $2 at $107¼.

The overall weakness was complicated hy the flood of corporate results which continued to pour into Wall Street. In general, investors were unimpressed by good performances and unforgiving to underachievers.

Sears Roehuck, for one, handily beat the consensus forecast by posting net income of $1.27 a share in the second quarter, but its share price, up $⅛ at $46⅞, hardly budged.

Compaq Computer failed to please even though its quarterly net income was a little better than forecast. The stock shed $1⅛ to $32 in heavy volume of 4.4m shares amid concern over the company's high inventory levels.

Similarly, McDonnell Douglas, the defence contractor, disappointed investors sven though it matched expectations. Its share price was marked down $3¼ to $115¼.

Bearishness claimed Pfizer as a victim, too. The pharmaceuticals house warned that its full-year results could fall short of early estimates. In response, the stock feli $2¼ to $59⅞. Schering-Plough was down $1 at $61.

International Game Technology was a big loser after posting net income of 30 cents a share, an unpleasant surprise to most analysts. The issus gave back $1⅛ to $20⅞.

On the Nasdaq, a drop in technology shares triggered earlier in the week showed no signs of abating. Shares in Lotus Development, which lost 14.5 per cent of their value on Tuesday, receded a further 5 per cent, or $1⅝ to $31⅞.

Canada

Toronto was lower at noon on worries about the outlook for inflation, and the TSE 300 index lost 26.00 at 4,174.20 in volume of 23.1m shares.

Declining issues outpaced advances by 107 to 57, with 82 stocks unchanged.

Of Toronto's 14 sub-groups, 11 had lost ground at noon. Precious metals was the only group to post strong gains, up 98.98 at 9,507.24. Franco-Nevada advanced C$1 to C$69⅞ after reporting stronger first-quarter earnings.

Among other indices, financial services shed 53.74 to 2,970.43, while communications and media sank 81.94 to 8,527.84.

In active stocks, Canadian Tire class "A" was up C$⅛ at C$10⅞ on 2m shares dealt and Telus gained C$⅛ at C$15⅞ on 1.2m shares. Alcan Aluminium rose C$⅝ to C$33¼.

Mexico

Mexican shares opened weaker in slack trading as investors stayed out of the market on expectations of weak corporate earnings.

The IPC index of 37 top shares fell 9.21 to 2,246.09.

Traders said that investors had not been unduly upset by the rise in domestic interest rates at the weekly auction. The benchmark 28-day Treasury bill rose 56 basis points to 17.66 per cent.

Turnover was 1.9m shares valued at 15.7m pesos.

Telmex accounted for 729,500 shares of the volume. Its "L" shares were down 0.64 per cent in the local market, while the "A" stock had not yet traded. Telmex ADRs in New York were off $⅛ at $54⅞.

Johannesburg finds late support in industrials

South African shares found late support to lift industrials off their lows, hut most investors remained wary abont short term prospects, Reuter reports.

The overall index added 31 at 5,579 as it found support from De Beers and Anglos. The industrial index finished 2 firmer at 6,359 and the gold shares index retrieved 18 at 2,113 following Tuesday's 61-point fall.

De Beers advanced R1.75 to R109.75 and Anglos R6 to R239 amid steady demand. Minorco slipped 50 cents to R106.50 and Richemont managed a R1 gain to R38.

SAB climbed off a mid-afternoon low to close a net 25 cents down at R85.75 and Barlows firmed 25 cents to R31.75. Iscor continued to tread water at R4 after recent hefty gains, and Sasol improved 25 cents to R27.50.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: July 15 1994	Dollar terms: % Change over week	Dollar terms: % Change on Dec '93	Local currency terms: July 15 1994	Local currency terms: % Change over week	Local currency terms: % Change on Dec '93
Latin America	(209)	611.70	-0.1	-6.0			
Argentina	(25)	882.86	+1.5	-11.2	541,744.17	+1.5	-11.2
Brazil	(57)	280.51	+0.8	+20.5	1,049,603,340	+0.8	+932.9
Chile	(25)	658.48	+2.0	+18.3	1,105.66	+1.5	+16.0
Colombia[1]	(11)	960.14	+0.4	+48.8	1,399.17	+0.7	+50.9
Mexico	(68)	822.18	-1.2	-18.3	1,206.41	-1.1	-10.6
Peru[2]	(11)	135.15	+1.1	+11.7	181.40	+1.3	+14.1
Venezuela[3]	(12)	522.90	+2.8	-11.7	2,043.53	+2.8	+43.8
Asia	(557)	245.40	+2.9	-15.7			
China[4]	(18)	90.84	+9.0	-39.1	89.22	+8.9	-39.5
South Korea[5]	(156)	128.89	+0.2	+8.1	136.61	+0.3	+8.8
Philippines	(18)	265.43	+1.4	-22.0	332.11	-1.0	-25.2
Taiwan, China[6]	(90)	145.71	+4.2	+7.8	145.83	+4.5	+9.0
India[7]	(76)	133.03	1.1	+14.2	147.11	+1.1	+14.2
Indonesia[8]	(37)	97.53	+1.1	-21.8	114.88	+1.0	-18.3
Malaysia	(105)	267.73	+3.1	-21.0	256.35	+3.0	-23.9
Pakistan[9]	(15)	391.93	-0.3	+1.0	543.21	-0.4	+2.8
Sri Lanka[10]	(5)	182.54	+1.0	+3.0	195.12	+0.8	+2.2
Thailand	(55)	383.85	+5.8	-19.6	380.57	+5.6	-21.2
Euro/Mid East	(125)	115.29	+5.2	-31.9			
Greece	(25)	215.24	-2.2	-5.5	344.30	-2.2	-10.5
Hungary[11]	(5)	187.18	+1.4	+12.3	225.53	+1.4	+11.7
Jordan	(13)	159.25	-1.0	-3.8	227.69	-1.0	-4.9
Poland[12]	(12)	655.93	+11.4	-19.8	925.86	+11.4	-16.1
Portugal	(25)	118.59	+4.1	+2.5	128.24	+4.1	-7.2
Turkey[13]	(40)	113.63	+9.9	-46.6	1,641.26	+9.9	+12.8
Zimbabwe[14]	(5)	236.35	-1.0	+17.0	280.74	-1.0	+31.4
Composite	(891)	311.50	+1.8	-12.4			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 3 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

Greece remains a problem, in spite of a below average decline in dollar terms over the year to date. James Capel, commenting on the market in its latest quarterly survey, notes that with modest economic growth projected for 1994 and 1995, and high real interest rates, the prospects for corporate earnings, excluding the banking sector, "do not augur well".

The broker is forecasting earnings per share growth of 9.5 per cent for 1994, rising to 11 per cent in the year following, "but mnch will depend upon the government's ability to tackle basic economic issues which, quite apparently, it is not doing at the moment". For these reasons they recommended a "generally underweight position" in Greece, while highlighting the construction sector as having the ability to go against the trend.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY JULY 19 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JULY 18 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	174.08	0.3	165.46	108.97	140.91	157.85	0.2	3.49	173.53	164.45	107.88	139.16	157.54	189.15	138.28	138.28
Austria (17)	189.67	0.0	180.27	118.72	153.52	153.41	0.8	1.04	189.71	179.76	117.95	152.16	152.14	195.41	153.61	153.61
Belgium (37)	172.45	0.0	163.91	107.95	139.59	138.35	0.8	4.05	172.47	163.45	107.23	138.34	135.30	176.67	143.62	150.73
Canada (106)	127.91	-0.2	121.58	80.07	103.53	127.94	0.0	2.85	128.20	121.49	79.70	102.83	127.88	145.31	120.54	124.42
Denmark (33)	271.24	-0.2	257.81	169.79	219.55	225.69	0.6	1.32	271.91	257.68	169.05	218.09	224.41	275.79	207.58	215.25
Finland (24)	159.20	0.4	151.32	99.65	128.86	172.36	1.4	0.82	158.50	150.20	98.54	127.13	170.01	159.20	95.42	97.76
France (97)	176.95	0.4	168.19	110.79	143.23	148.26	1.2	3.02	176.30	167.07	109.61	141.40	146.47	185.37	150.92	152.75
Germany (58)	145.13	0.3	137.95	90.85	117.47	117.47	1.2	1.76	144.67	137.10	89.95	116.04	116.04	147.07	112.69	117.02
Hong Kong (56)	370.67	-0.7	352.32	232.02	300.03	367.62	-0.7	3.23	373.32	353.79	232.10	299.44	370.25	506.56	271.42	274.08
Ireland (14)	200.02	0.4	190.12	125.21	161.91	183.56	0.8	3.32	199.26	188.84	123.88	159.83	181.99	209.33	157.90	160.92
Italy (61)	86.63	1.5	82.34	54.22	70.12	100.84	2.2	1.50	85.38	80.91	53.08	68.49	98.64	97.78	57.88	70.07
Japan (469)	167.58	-0.7	159.29	104.90	135.65	104.90	-0.1	0.73	168.82	159.99	104.96	135.41	104.96	170.10	124.54	150.64
Malaysia (98)	471.46	-0.5	448.12	295.11	381.61	470.91	-0.5	1.73	473.83	448.13	294.65	380.14	473.47	621.63	332.73	332.73
Mexico (18)	1924.79	-0.4	1829.45	1204.90	1557.92	7154.01	-0.5	1.87	1931.72	1830.63	1200.98	1549.40	7186.23	2647.08	1518.57	1550.15
Netherland (27)	207.46	0.3	197.19	129.86	167.93	165.21	1.1	3.44	206.83	196.01	128.59	165.90	163.44	207.46	165.15	167.17
New Zealand (14)	67.90	-0.2	64.54	42.50	54.96	60.15	-0.4	3.98	68.02	64.46	42.29	54.56	60.37	77.59	51.62	51.62
Norway (23)	204.41	-1.4	194.29	127.95	165.45	189.03	-0.8	1.75	207.35	196.50	128.91	166.31	190.23	207.35	156.74	159.47
Singapore (44)	342.88	-0.2	325.91	214.63	277.54	238.71	-0.1	1.77	343.48	325.50	213.55	275.50	239.02	378.92	247.06	247.06
South Africa (59)	286.71	-2.0	272.51	179.46	232.06	283.56	-0.7	2.29	292.64	277.33	181.94	234.72	285.60	292.64	175.93	207.49
Spain (42)	143.83	-0.4	136.71	90.03	116.42	139.93	0.3	4.12	144.39	136.83	89.77	115.81	139.52	155.79	116.33	120.69
Sweden (36)	215.95	0.1	205.26	135.17	174.80	245.98	0.2	1.83	215.69	204.41	134.10	173.01	245.39	231.35	168.75	173.24
Switzerland (47)	156.93	-0.2	149.16	98.23	127.02	127.74	0.7	1.90	157.20	148.97	97.73	126.08	126.62	176.56	124.46	128.20
United Kingdom (204)	196.40	0.0	186.68	122.94	158.67	186.68	0.3	4.04	196.43	186.15	122.12	157.55	186.15	214.96	172.26	173.28
USA (519)	185.15	-0.3	176.02	115.92	149.89	185.15	-0.3	2.90	185.73	176.01	115.47	148.97	185.73	198.04	178.95	182.59
EUROPE (720)	171.68	0.2	163.16	107.46	138.98	153.33	0.8	3.03	171.40	162.43	106.56	137.47	152.14	178.56	143.32	144.85
Nordic (116)	213.96	0.0	203.38	133.93	173.18	207.77	0.4	1.43	214.02	202.82	133.05	171.66	206.86	220.60	160.69	164.52
Pacific Basin (749)	174.75	-0.7	166.10	109.39	141.45	114.51	-0.1	1.04	175.93	166.72	109.38	141.11	114.62	176.86	134.79	153.76
Euro-Pacific (1469)	173.33	-0.3	164.75	108.50	140.29	130.15	0.3	1.87	173.89	164.79	108.11	139.48	129.82	173.89	143.88	149.99
North America (625)	181.63	-0.3	172.64	113.69	147.02	181.25	-0.3	2.89	182.18	172.63	113.25	146.11	181.76	192.73	175.67	178.98
Europe Ex. UK (516)	154.52	0.3	146.87	96.72	125.07	133.32	1.1	2.44	154.11	146.04	95.81	123.90	131.90	157.47	125.09	126.82
Pacific Ex. Japan (280)	247.14	-0.3	234.91	154.70	200.05	221.52	-0.3	2.88	247.89	234.82	154.12	198.83	222.29	298.21	184.93	184.93
World Ex. US (1652)	174.15	-0.3	165.52	109.01	140.96	133.40	0.2	1.80	174.76	165.62	108.65	140.17	133.09	174.76	145.58	150.58
World Ex. UK (1967)	174.88	-0.4	166.22	109.47	141.55	145.92	0.0	2.05	175.53	166.34	109.13	140.79	145.88	175.56	156.96	159.04
World Ex. So. Af. (2112)	176.11	-0.3	167.39	110.24	142.55	148.63	0.1	2.24	176.88	167.42	109.83	141.70	148.53	178.56	158.54	160.09
World Ex. Japan (1702)	184.01	-0.1	174.90	115.18	148.94	175.22	0.1	2.92	184.29	174.65	114.58	147.82	175.04	195.20	168.51	167.39
The World Index (2171)	176.79	-0.3	168.04	110.66	143.10	149.63	0.1	2.24	177.38	168.10	110.28	142.27	149.56	176.97	158.85	160.31

Latest prices were unavailable for this edition.

EUROPE

Bourses ease after Fed chief's comments

The testimony given by Mr Alan Greenspan, chairman of the US Federal Reserve, had a negative impact on the afternoon performance of continental European markets.

FRANKFURT was a case in point. After a modest rise in the Dax index of 9.82 to 2,138.65, post-bourse trading broogbt the level down to 2,120.97.

Attention was also being concentrated on today's meeting of the Bundesbank – the last before a four-week summer recess. James Capel thoughbt that a cut was unlikely, in spite of the encouraging M3 data which was released earlier in the week.

This view was supported hy UBS which, in a comment put out before the M3 data was available, remarked that while further headlins cuts were imminent, this week was probably too early, and suggested instead that it expected the discount rate to be down to 4 per cent hy September. James Capel went one step further – the discount, it thought, would be down to 3.75 per cent by the first quarter of 1995.

The chemicals sector again made forward strides: BASF rose DM4.70 to DM308.50 and Bayer by DM2.50 to DM356.

ZURICH was spurred ahead by Nestlé's better than expected half-year sales, and the SMI index finished 40.7, or 1.6 per cent, higher at 2,562.3 after some late weakness in the dollar had pulled the market back from its best levels.

Nestlé moved ahead SFr41 to SFr1,144 in response to news of its flat first-half sales which came after the market closed on Tuesday: some analysts had been expecting a 1 to 2 per cent fall.

Roche certificates, which weighed on the market last week, continued to regain ground, sdding SFr110 at SFr5,410. Elsewhere in the sector, Ciba bearers rose SFr21 to SFr760 and Sandoz bearers put on SFr20 at SFr688.

Ascom, the telecommunications concern, appreciated SFr60 to SFr1,650, althougb traders commented that the rise was exaggerated hy relatively thin volume.

PARIS was slightly easier, although it recovered from the lows of the session. The CAC-40 index was 8.61 softer at 2,043.72 after touching 2,027.26. Turnover was FFr4.3bn.

A substantial rise, nearly 11 per cent, was noted in Moulinex, the consumer electricals group, following a number of brokers' recommendations, and on hopes of an earnings recovery next year.

In contrast, Thomson CSF dipped FFr6.10 to FFr162.50 as it suffered a downgrade from one US bouse.

AMSTERDAM attained the 400 level for a brief moment, before sliding back later, and the AEX index finished the session down 1.82 at 397.80.

While the overall tone was weaker, some good gains were evident. Philips, for example, firmed Fl 1.00 to Fl 76.70, with investors noting that a Taiwan group in which it has a 40 per cent stake had announced that it was to float stock.

Among other good gainers, Unilever went Fl 2.00 ahead to Fl 187.20 and Royal Dutcb Fl 1.90 up to Fl 195.50.

MADRID dipped late in the day as profit-takers used Mr Greenspan's comments to cash in on nine days of rising prices in the market. The General index slipped 1.52 to 304.40 in volume of about Pta 32bn.

Asturiana del Zinc fell Pta 20 to Pta 1,310 after Banesto placed 2.98m shares, 9.67 per cent of the share capital, at Pta 1,350.

Telefónica slid Pta 55, or 3 per cent, to Pta 1,790. Merrill Lynch has reduced its profits estimates for this year and 1995 in response to proposals for rebalancing tarriffs, which are expected to be confirmed hy parliament tomorrow.

MILAN continued its recovery as the political clouds cleared, and the Comit index advanced 11.67, or 1.7 per cent, to 716.50.

Telecommunications issues continued to draw attention. Sip rose L90 to L4,495 and Stet was L10 higher at L5,476. Robert Fleming Securities, which maintains a positive view of the stocks, commented that both were 10 to 15 per cent undervalued and added that the forthcoming Telecom Italia could look forward to rapid profits growth on a moderate growth in sales.

Among industrials, Fiat rose L126 to L6,810 and Olivetti was L42 higher at L2,516.

Banking stocks remained at the centre of sttention in the wake of BCI's announcement on Tuesday that it planned to launch a L2,360bn cash call on August 18, which prompted expectations that Credito Italiano would follow suit.

BCI rose L85 to L4,728 and Credito put on L47 at L2,269.

WARSAW tumbled 9.1 per cent, giving up all the sharp gains of the previous two sessions, as profits were taken, although fresh buying interest during the order matching session was seen to signal a prompt rebound.

The Wig index dropped 1,056.6 to 10,608.5.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Jul 20 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1365.37	1365.54	1369.82	1373.47	1374.48	1372.84	1370.84	1367.58
FT-SE Eurotrack 200	1407.38	1407.52	1411.20	1414.37	1413.82	1413.59	1409.94	1407.57

	Jul 19	Jul 18	Jul 15	Jul 14	Jul 13
FT-SE Eurotrack 100	1361.71	1346.11	1349.02	1337.33	1325.84
FT-SE Eurotrack 200	1404.54	1391.87	1392.05	1374.18	1362.13

Base 1000 (26/10/90); High/day: 100 - 1375.09; 200 - 1416.45 Low/day: 100 - 1364.58 200 - 1405.45

ASIA PACIFIC

Nikkei little changed despite yen's decline

Tokyo

Selling by corporate investors eroded morning gains, and the Nikkei index closed almost flat in spite of the yen's decline against the dollar, *writes Emiko Terazono in Tokyo*.

The Nikkei 225 average was finally a sligbt 5.60 up at 20,780.76 after setting a day's high of 20,872.37 in the morning and a low of 20,736.95 in the afternoon.

Arbitrage huying led by strength in the futures market and purchases by public funds supported shares in early trading, but most investors failed to participate and tha index moved in a narrow range after receding on profit-taking.

Volums was 310m shares, against 260m. Domestic financial institutions were buying in the morning for public pension funds, while overseas investors were largely inactive.

The Topix index of all first section stocks put on 1.19 at 1,665.49 and the Nikkei 300 gained 0.13 at 302.22. Rising issues narrowly ootscored declines hy 484 to 473, with 227 stocks unchanged. In London the ISE/Nikkei 50 index ended 2.12 firmer at 1,354.59.

Some investors selected smaller shares backed by individual news, or those seen as laggards. The second section climbed 12.17 to 2,531.55 in volume of 21m shares, a three-week high. Many brokers do not expect equity prices to move over ths summer months. "There will not be any significant earnings news now until September, or until Toyota's results are announced in August," reported James Capel in Tokyo.

Nihon Nosan Kogyo, the agro-feed maker, advanced Y17 to Y549 on reports that the company had developed a product which could lower blood sugar levels.

Telecommunication linked stocks were higher on hopes of profits from the next-generation portable telephone. DDI, the long distance telecom operator, ross Y110,000 to Y9.6m on the second section. The company was also supported by hopes of increased buying following its 10-for-one stock split on August 2.

Kyocera, DDI's leading shareholder, moved ahead Y70 to Y7,500, while Nippon Telegrapb and Telepbone added Y4,000 at Y854,000.

Fuji Electric appreciated Y10 to Y598 on buying by foreign brokers, while Kumagai Gumi, the contractor, firmed a marginal Y1 to Y527.

Large-capital issues were lower on profit-taking, with Nippon Steel, the day's most active stock, easing Y1 to Y341 and Mitsubishi Heavy Industries dipping Y8 to Y796.

In Osaka, the OSE average edged forward 1.97 to 23,205.81 in volume of 32.3m shares.

Roundup

Foreign demand helped some Pacific Rim markets ahead.

HONG KONG finished modestly higher after profit-taking had pulled the market back from its best level of the day. The Hang Seng index gained a net 43.81 at 9,188.82, having earlier touched 9,322.72.

Further foreign institutional demand was reported for hlue chips, hut local funds and retail investors continued to take profits and unwind long positions.

SYDNEY rebounded from lows to finish fractionally ahead as investors awaited Mr Alan Greenspan's testimony before the US Congress.

Volatile futures and lacklustre performances in some other markets dragged the All Ordinaries index to an intraday low of 2,060.7, but it later recovered to end 1.3 firmer at 2,078.6 in cautious trade.

WELLINGTON was spurred 1.3 per cent ahead in high volume which indicated active investment from overseas. The NZSE-40 Capital index climbed 27.23 to 2,054.94 In NZ$75.5m turnover.

SINGAPORE regained some momentum, after two alack days, on the back of renewed orders for hlue chips by institutional funds in Hong Kong, the US and Britain. The Straits Times Industrial index rose 26.45 to 2,231.37.

KUALA LUMPUR saw foreign demand for blue chips which tcok the composite index up 10.52 to 1,009.72. Gains were led by Genting, which firmed M$1 to M$33 ahead of the ex-date for its one-for-two bonus issue on July 28.

BANGKOK rose in active trade, mainly on expectations of healthy first-half results hut also on optimism over dollar stability and the possible extension of trading hours from November. The SET index put on 14.65 at 1,363.59 in active turnover of Bt13.8bn.

TAIPEI ended lower on late, heavy profit-taking as investors turned cautious ahead of a central bank board meeting today which raised worries about tighter monetary policy.

The weighted index lost 52.09 at 8,474.30, off a 6,590.67 day's high. Turnover declined to T$105.95bn from T$119.02bn.

MANILA finished easier after profit-taking in blue chips ended a four-day rally. The composite index sbed 5.60 points to 2,663.46, off the day's low of 2,647. Heavy foreign *buying in SM Prime Holdings* broke the fall at midsession and the retail group jumped 1.7 per cent to 6 pesos.

SEOUL declined for the sixth session in a row as a lack of institutional activity took its toll. The composite index lost 2.38 at 936.67.